



**THE MSUNDUZI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

**The Msunduzi Municipality**  
Annual Financial Statements for the year ended 30 June 2009

**General Information**

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<b>Legal form of entity</b>	Municipality
<b>Executive Committee</b>	Mayor - Z Hlatshwayo Deputy Mayor - M. Dirks Member - R Ashe Member - K Chetty Member - TI Dlamini Member - WF Lambert Member - F Mbatha Member - GJN Meyer Member - D Zondi Member - TI Zungu

**The Msunduzi Municipality**  
Annual Financial Statements for the year ended 30 June 2009

**General Information**

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**Councillors**

Speaker - A Shelembe  
Whip - BS Ngubane  
N Ahmed  
N Atwaru  
V Baijoo  
P Bhengu  
C Bradley  
D Buthelezi  
M Chetty  
MJ Dladla  
ME Dlamini  
NV Duze  
SC Gabela  
JEP Green  
MD Hlongwane  
M Inderjith  
PV Jaca  
AH Kadir  
VK Khambule  
RT Khanyile  
J Lawrence  
ID Lushozi  
SP Lyne  
SI Madonda  
VT Magubane  
ZH Magubane  
SJ Majola  
ST Majola  
M Maphumulo  
RB Mazibuko  
G McArthur  
M Mchunu  
MB Mkhize  
SA Mkhize  
CS Mkhize  
PW Moon  
ML Msimang  
E Mzila  
SN Naidoo  
BA Ndlovu  
LC Ngcobo  
SME Ngcobo  
DH Ngubane  
I Ngubane  
TD Ntombela  
MV Ntshangase  
S Ntuli  
K Olivier  
SV Radebe

**The Msunduzi Municipality**  
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**General Information**

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	DF Ryder
	SJ Seymour
	BP Shoji
	AS Sibisi
	R Singh
	RB Singh
	BC Sokhela
	MM Thebolla
	GH Zondi
	T Zondi
	B Zuma
	FB Zuma
	TR Zuma
	TRM Zungu
<b>Accounting Officer</b>	R.F. Haswell
<b>Grading of local authority</b>	Category - B
<b>Chief Finance Officer (CFO)</b>	K. Bridgmohan
<b>Registered office</b>	The City Hall 260 Church Street Pietermaritzburg 3200
<b>Business address</b>	The City Hall 260 Church Street Pietermaritzburg 3200
<b>Postal address</b>	City Hall Private Bag x321 3200
<b>Controlling entity</b>	Safe City Pietermaritzburg
<b>Bankers</b>	First National Bank
<b>Auditors</b>	The Auditor General
<b>Telephone number:</b>	(033) 392 2006
<b>Facsimile:</b>	(033) 392 2208
<b>Website</b>	<a href="http://www.msunduzi.gov.za">www.msunduzi.gov.za</a>

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**Abbreviations**

ASB	Accounting Standards Board
CBD	Central Business District
COID	Compensation for Occupational Injuries and Diseases
CPI	Consumer Price Index
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
DSB	Development Services Board
FNB	First National Bank
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
KZN	Kwazulu Natal
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
NATIS	National Traffic Information System
NCT	Natal Co-operative Timber Tree Farming (Pty) Ltd
NJMPF	Natal Joint Municipal Pension Fund
NPA	Natal Provincial Administration
PAYE	Pay As You Earn
RMB	Rand Merchant Bank
UIF	Unemployment Insurance Fund
VAT	Value Added Taxation

## **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are responsible for reporting on the fair presentation of the annual financial statements.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring that the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2009 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The decrease in working capital can be attributed to Council funding its capital expenditure from its own reserves and only raising the long term loan in the next financial year.

In light of the current economic conditions, the municipality challenged with many defaulting consumers and this had dire impact on the cashflow.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

I certify that the salaries, allowances and benefits of councillors, as disclosed in note 31 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the remuneration of the Public Officer Bearer's Act and the Minister of Provincial and Local Government's determination in accordance with this Act

I am responsible for the preparation of the annual financial statements set out on pages 6 to 59, in terms of section 126(1) of the Municipal Finance Management Act (56 of 2003) which have been prepared on the going concern basis, were approved by myself on the 31 August 2009 and were signed on behalf of the Municipality.

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**R.F. Haswell**

**The Msunduzi Municipality**  
Annual Financial Statements for the year ended 30 June 2009

**Statement of Financial Position as at 30 June 2009**

	Note(s)	2009 R	2008 R
<b>ASSETS</b>			
<b>Current Assets</b>			
Inventories	3	64,304,960	53,832,193
Current portion - other financial assets	12	1,860,000	1,860,000
Trade and other receivables from non exchange transactions	4	18,935,560	32,950,250
VAT	5	-	5,896,918
Trade and other receivables from exchange transactions	6	320,310,484	256,848,624
Current portion of long - term receivables		1,492,047	1,557,263
Cash and cash equivalents	7	112,867,232	263,845,426
		<b>519,770,283</b>	<b>616,790,674</b>
<b>Non-Current Assets</b>			
Investment property	10	534,167,000	-
Property, plant and equipment	8	6,183,054,641	1,241,887,304
Intangible assets	9	3,254,398	1,080,382
Long - term receivables	11	4,686,392	5,349,498
Current portion - other financial assets	12	70,842	74,689
		<b>6,725,233,273</b>	<b>1,248,391,873</b>
<b>Total Assets</b>		<b>7,245,003,556</b>	<b>1,865,182,547</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Current portion of long - term liabilities	13	47,105,411	40,544,487
Trade and other payables	15	302,360,997	274,081,253
VAT	16	5,040,704	-
Consumer deposits	17	34,808,038	36,171,502
Deferred income / Unspent conditional grants and receipts	18	113,075,091	145,926,624
Short term - liability	57	50,000,000	-
Current provisions	19	625,167	861,265
		<b>553,015,408</b>	<b>497,585,131</b>
<b>Non-Current Liabilities</b>			
Long-term liabilities	13	371,716,196	336,768,253
Finance lease obligation	14	10,670,399	7,669,141
Retirement benefit obligation	20	98,089,800	50,000,000
Provisions	21	16,871,166	28,855,336
		<b>497,347,561</b>	<b>423,292,730</b>
<b>Total Liabilities</b>		<b>1,050,362,969</b>	<b>920,877,861</b>
<b>NET ASSETS</b>		<b>6,194,640,587</b>	<b>944,304,686</b>
<b>NET ASSETS</b>			
Housing development fund	22	52,002,719	54,756,079
Accumulated surplus		6,142,637,868	889,548,607
<b>Total Net Assets</b>		<b>6,194,640,587</b>	<b>944,304,686</b>

**The Msunduzi Municipality**  
Annual Financial Statements for the year ended 30 June 2009

**Statement of Financial Performance**

	Note(s)	2009 R	2008 R
<b>Revenue</b>			
Property rates	26	378,556,015	345,067,836
Service charges	27	952,438,874	896,704,177
Property rates - penalties imposed and collection		20,581,029	23,565,464
Rental received		16,684,449	15,717,272
Fees from agency services		689,431	751,904
Fines		14,299,020	14,774,353
Licences and permits		53,988	43,655
Government grants	29	324,440,359	266,381,114
Other revenue	28	338,998,135	223,766,208
Interest received - investment	34	35,510,494	52,294,057
<b>Total Revenue</b>		<b>2,082,251,794</b>	<b>1,839,066,040</b>
<b>Expenditure</b>			
Employee related costs	31	(580,172,075)	(500,859,237)
Remuneration of councillors	32	(19,164,676)	(15,467,145)
Depreciation and amortisation	35	(96,625,686)	(96,408,758)
Impairment of inventory	36	-	(143,365)
Finance costs	37	(57,421,392)	(55,028,233)
Contributions to provisions	33	(10,000,000)	(10,000,000)
Collection costs		(1,401,737)	(1,092,870)
Repairs and maintenance		(77,379,164)	(60,481,535)
Bulk purchases	39	(636,770,849)	(515,449,656)
Grants and subsidies paid	38	(4,978,336)	(4,392,550)
General Expenses	30	(602,728,333)	(470,298,514)
<b>Total Expenditure</b>		<b>(2,086,642,248)</b>	<b>(1,729,621,863)</b>
Gains on disposal of assets	41	3,369,276	7,239,228
Financial liability amortised cost		5,434,385	-
Financial asset amortised cost		(385,314)	-
<b>Surplus for the year</b>		<b>4,027,893</b>	<b>116,683,405</b>

**The Msunduzi Municipality**  
Annual Financial Statements for the year ended 30 June 2009

**Statement of Changes in Net Assets**

	Housing development fund R	Capital replacement reserve R	Insurance reserve R	Total reserves R	Accumulated surplus R	Total net assets R
<b>Balance at 01 July 2007 as restated</b>	<b>54,020,358</b>	<b>31,749,397</b>	<b>22,503,153</b>	<b>108,272,908</b>	<b>798,129,894</b>	<b>906,402,802</b>
Changes in net assets	-	(31,749,397)	(22,503,153)	(54,252,550)	54,252,550	-
Changes in accounting policy	-	-	-	-	176,686	176,686
Correction of prior period errors	-	-	-	-	-	-
Net income (expenses) recognised directly in net assets	-	(31,749,397)	(22,503,153)	(54,252,550)	54,429,236	176,686
Surplus for the year	-	-	-	-	116,683,405	116,683,405
Total recognised income and expenses for the year	-	(31,749,397)	(22,503,153)	(54,252,550)	171,112,641	116,860,091
Contributions to self-insurance reserve	-	-	-	-	31,740,578	31,740,578
Insurance claims processed	-	-	-	-	(29,625,502)	(29,625,502)
CRR net transactions after amalgamation into surplus	-	-	-	-	(978,783)	(978,783)
Contributions introduced	-	-	-	-	(10,704,235)	(10,704,235)
Transfer to HDF	735,721	-	-	735,721	-	735,721
Other property plant and equipment - biological assets	-	-	-	-	81,727	81,727
Transfer to/from provisions	-	-	-	-	(67,500,000)	(67,500,000)
Transfer to/from creditors (leave pay)	-	-	-	-	(2,707,713)	(2,707,713)
Total changes	735,721	(31,749,397)	(22,503,153)	(53,516,829)	91,418,713	37,901,884
<b>Balance at 01 July 2008</b>	<b>54,756,079</b>	<b>-</b>	<b>-</b>	<b>54,756,079</b>	<b>889,548,607</b>	<b>944,304,686</b>
Changes in net assets	-	-	-	-	(146,559)	(146,559)
Changes in accounting policies	-	-	-	-	(2,671,526)	(2,671,526)
Correction of prior period error	-	-	-	-	-	-
Net income (expenses) recognised directly in net assets	-	-	-	-	(2,818,085)	(2,818,085)
Surplus for the year	-	-	-	-	4,027,896	4,027,896
Total recognised income and expenses for the year	-	-	-	-	1,209,811	1,209,811
Transfer to HDF	-	-	-	-	6,116,773	6,116,773
Net difference of adjustments	-	-	-	-	(31,010,576)	(31,010,576)
Additional other property plant and equipment - biological assets	-	-	-	-	85,716	85,716
Transfer to / from provisions	-	-	-	-	(21,593,591)	(21,593,591)
Transfer to/from creditors (leave pay)	-	-	-	-	(2,520,716)	(2,520,716)
Transactions HDF	(2,753,360)	-	-	(2,753,360)	-	(2,753,360)
Net take on of infrastructure assets as at 30 June 2009	-	-	-	-	5,294,381,500	5,294,381,500
Insurance claim processed	-	-	-	-	6,420,344	6,420,344
Total changes	(2,753,360)	-	-	(2,753,360)	5,253,089,261	5,250,335,901
<b>Balance at 30 June 2009</b>	<b>52,002,719</b>	<b>-</b>	<b>-</b>	<b>52,002,719</b>	<b>6,142,637,868</b>	<b>6,194,640,587</b>
Note(s)	22	23	24			

**The Msunduzi Municipality**  
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**Cash Flow Statement**

	Note(s)	2009 R	2008 R
<b>Cash flows from operating activities</b>			
Cash receipts from customers		2,104,067,303	1,586,919,830
Cash paid to suppliers and employees		(2,008,877,528)	(1,407,520,260)
Cash generated from operations	40	95,189,775	179,399,570
Interest income		35,510,494	52,294,057
Finance costs		(57,421,392)	(55,028,233)
Other non-cash items		(23,172,093)	(10,704,235)
<b>Net cash from operating activities</b>		<b>50,106,784</b>	<b>165,961,159</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(298,093,138)	(196,495,704)
Sale of property, plant and equipment	8	3,369,276	7,239,228
Increase in investment	10	-	163,061
Movement in non current receivables		728,321	6,739,888
<b>Net cash from investing activities</b>		<b>(293,995,541)</b>	<b>(182,353,527)</b>
<b>Cash flows from financing activities</b>			
Repayment of current portion of long - term liabilities		41,508,867	49,587,320
Movement in short term liability		50,000,000	-
Movement in current provisions		(236,098)	2,115,075
Movement in Consumer deposits		(1,363,464)	7,584,442
Finance lease payments		3,001,258	-
<b>Net cash from financing activities</b>		<b>92,910,563</b>	<b>59,286,837</b>
<b>Total cash movement for the year</b>		<b>(150,978,194)</b>	<b>42,894,469</b>
Cash at the beginning of the year		263,845,426	220,950,958
<b>Net increase (decrease) in cash and cash equivalents</b>	7	<b>(112,867,232)</b>	<b>(263,845,427)</b>

## **Accounting Policies**

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### **1. Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The standards are summarised as follows:

#### **Standard of GRAP**

GRAP 1	Presentation of financial statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GRAP 4	The effects of changes in foreign exchange rates
GRAP 5	Borrowings
GRAP 6	Consolidated financial statements and accounting for controlled entities
GRAP 7	Accounting for investments in associates
GRAP 8	Financial reporting of interests in joint ventures
GRAP 9	Revenue from exchange transactions
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, plant and equipment
GRAP 19	Provisions, contingent liabilities and contingent asset
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

GRAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

These accounting policies are consistent with the previous period, except for the changes set out in note First-time adoption of International Financial Reporting Standards.

#### **1.1 Presentation of Currency**

These annual financial statements are presented in South African Rand.

#### **1.2 Going concern assumption**

These annual financial statements have been prepared on a going concern basis.

#### **1.3 Housing development fund**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

## **Accounting Policies**

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### **1.4 Property, plant and equipment**

The cost of an item of property, plant and equipment is recognised as an asset when:  
it is probable that future economic benefits associated with the item will flow to the municipality; and  
the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is unrecognised.

The cost of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Property, plant and equipment, is carried at cost less accumulated depreciation and impairment losses.

Depreciation for the year has been based on the old asset values and is calculated on a straight line method although an average useful life has been estimated for each category of assets in accordance with the treatment of previous year, using the global historical cost in the accounting records.

The annual depreciation rates are based on the following estimated useful lives.

<b>Item</b>	<b>Average useful life</b>
Infrastructure	
Roads and paving	5 - 100 years
Pedestrian malls	30 years
Electricity	10 - 50 years
Water	10 - 100 years
Sewerage	10 - 100 years
Housing	30 years
Storm water	25 - 120 years
Land	Infinite
Community	
Buildings	10 - 50 years
Recreational facilities	10 - 100 years
Security	5 years
Watercraft	15 years
Furniture and fixtures	7 - 10 years
Other items of plant and equipment	2- 5 years
Office equipment	3 - 7 years
Other	
Other vehicles	5 years
Bins and containers	5 years
Landfill Sites	15 years
Specialised vehicles	10 years
Specialised property, plant and equipment	10 - 15 years

The useful life of each asset are reviewed at each financial period-end.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the Municipality's accounting policy on non-current provisions.

The Msunduzi Municipality accounted for the investment properties in accordance with the GRAP implementation process map that was formulated in terms of Gazette 30013 dated 29 June 2007.

## **Accounting Policies**

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### **1.4 Property, plant and equipment (continued)**

In terms of implementation of the said process map, the municipality valued all its infrastructure assets and this value is treated as the deemed deemed cost. The review of useful lives, reviewing of the depreciation method and impairment was part of this process. As from the 2009/2010 financial year the municipality can implement the requirements of GRAP 17 regarding the annual review of useful lives and impairment against the newly established fixed asset register.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Capital projects are treated as work in progress until the asset so created are ready for use.

### **1.5 Inventories**

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

### **1.6 Financial instruments**

#### **Classification**

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit - held for trading
- Loans and receivables

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

#### **Initial recognition and measurement**

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in profit or loss.

## **Accounting Policies**

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### **1.6 Financial instruments (continued)**

#### **Subsequent measurement**

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit dividends and interest.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

#### **Fair value determination**

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

#### **Impairment of financial assets**

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

#### **Trade and other receivables**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method if material. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

#### **Trade and other payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### **Cash and cash equivalents**

## **Accounting Policies**

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### **1.6 Financial instruments (continued)**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Cash and cash equivalents are classified as loans and receivables

#### **Bank overdraft and borrowings**

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

#### **Gains and losses**

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit,

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

#### **Derecognition**

##### **Financial assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

##### **Financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

## **Accounting Policies**

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### **1.6 Financial instruments (continued)**

#### **Impairment of financial assets**

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

### **1.7 Revenue from exchange transactions**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Royalties are recognised on the accrual basis in accordance with the substance of the relevant agreements.

Dividends are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. To include all revenue in the financial period estimates are made between the last meter reading and the financial year end to account for consumption that took place during the financial period. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been

## **Accounting Policies**

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### **1.7 Revenue from exchange transactions (continued)**

quantified. The income recognised is in terms of the agency agreement.

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognised on a time proportion basis.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

### **1.8 Revenue from non-exchange transactions**

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use. .

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

### **1.9 Conditional Grants and receipts**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### **1.10 Provisions and contingencies**

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate

## **Accounting Policies**

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### **1.10 Provisions and contingencies (continued)**

The Municipality makes provision for the rehabilitation of landfill sites and post retirement benefits medical aid contributions.

Provision for the rehabilitation of the Quarry site was created from contributions received from the rental agreement for this site.

Provision for airport development was created from contributions to passenger levies.

### **1.11 Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote;
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.12 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), The Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance..

### **1.13 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.14 Translation of foreign currencies**

#### **Foreign currency transactions**

A foreign currency transaction is recorded, on initial recognition in Rand's, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

## **Accounting Policies**

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### **1.15 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### **1.16 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### **Finance leases – lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

#### **Operating leases – lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

### **1.17 Value Added Taxation**

The Msunduzi Municipality accounts for Value Added Tax on the payment basis.

### **1.18 Significant judgements and sources of estimation uncertainty**

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

#### **Trade receivables / Held to maturity investments and/or loans and receivables**

The municipality assesses its trade receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

#### **Allowance for slow moving, damaged and obsolete stock**

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

#### **Fair value estimation**

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair

## **Accounting Policies**

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### **1.18 Significant judgements and sources of estimation uncertainty (continued)**

values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

#### **Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

#### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

#### **Post retirement benefits**

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20.

#### **Effective interest rate**

The municipality used the prime interest rate to discount future cash flows.

### **1.19 Intangible assets**

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

## **Accounting Policies**

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### **1.19 Intangible assets (continued)**

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Computer software, internally generated	3 years
Computer software, other	3 years

Intangible assets are derecognised:

on disposal; or

when no future economic benefits or service potential are expected from its use or disposal.

### **1.20 Non-current assets held for sale (and) (disposal groups)**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

### **1.21 Impairment of assets**

The municipality assesses at each statement of financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and

then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

## **Accounting Policies**

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### **1.21 Impairment of assets (continued)**

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

No assets were impaired during the financial year.

### **1.22 Employee benefits**

#### **Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

#### **Defined contribution plans**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### **Defined benefit plans**

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to statement of financial position date where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In the statement of financial performance, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses, plus the present value of available refunds and reduction in future contributions to the plan.

The municipality does not apply the "Corridor method" and recognise all actuarial gains or losses in the statement of financial performance as they occur.

### **1.23 Government grants**

Government grants are recognised when there is reasonable assurance that:  
the municipality will comply with the conditions attaching to them; and  
the grants will be received.

## **Accounting Policies**

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### **1.23 Government grants (continued)**

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Grants related to income are presented as a credit in the income statement (separately).

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the Msunduzi municipality has complied with all of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

### **1.24 Grants, transfers and donations**

Grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

Donations are measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

### **1.25 Investment income**

Investment income is recognised on a time-proportion basis using the effective interest method.

### **1.26 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.

Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### **1.27 Use of Estimates**

The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

## **Accounting Policies**

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### **1.28 Offsetting**

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP, GAAP or IPSAS

### **1.29 Investments**

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

### **1.30 Grants in aid**

The Msunduzi Municipality transfers money to individuals, institutions and organisations. When making these transfers, The Municipality does not:

Receive any goods or services directly in return, as would be expected in a purchase or sale transaction

Expect to be repaid in future; or

Expect a financial return, as would be expected from an investment

These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

### **1.31 Unutilised conditional grants**

Unutilised conditional grants are reflected on the Statement of Financial Position as a Creditor - Unutilised Conditional Grants. They represent unspent government grants, subsidies and contributions from the public. The following conditions are set for the creation and utilisation of these creditors

The unspent portion of the grant is invested until utilised.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is The Msunduzi Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

Whenever an item of property, plant and equipment is purchased from a Creditor – Unutilised Conditional Grant, an amount equal to the purchase price is transferred from the Creditor - Unutilised Conditional Grant to the operating account on the Statement of Financial Performance as revenue.

Whenever an item of property, plant and equipment is purchased from a Creditor - Unutilised Conditional Grant, an amount equal to the purchase price is transferred from the accumulated surplus to the Deferred Income - Government Grants or the Accumulated Surplus account in the case of non government grants. The deferred income account is used to offset depreciation charged on the property, plant and equipment financed from unutilised government grant capital receipts and equals the remaining depreciable value (carrying value) of property, plant and equipment financed from unutilised government grant capital receipts.

Whenever a non-asset is purchased from a Creditor - Unutilised Conditional Grant an amount equal to the purchase price is transferred from the Creditor - Unutilised Conditional Grant to the operating account on the Statement of Financial Performance to offset the expenditure which was expensed through the operating account.

## Notes to the Annual Financial Statements

	2009	2008
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

##### **GRAP 6: Consolidated and Separate Financial Statements**

GRAP 6 includes specific guidance on whether control exists and on power conditions to determine whether control exists in a public sector context – public sector entities need to consider impact of this guidance to determine whether an investment should be accounted for in accordance with GRAP 6.

GRAP 6 includes specific guidance and explanatory material on the accounting of special purpose entities adopted from SIC 12 – SA specific public sector amendment. Public sector entities need to consider impact of this guidance to determine whether an investment should be accounted for in accordance with GRAP 6.

The initial application of GRAP 6 will have no impact on the annual financial statements.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, requires retrospective application of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard for separate annual financial statements. For consolidated annual financial statements the result of initially adopting the Standard shall be recognised in the economic entity as an adjustment to the opening balance of accumulated surplus or deficit and comparative information need not be restated for the economic entity.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

##### **GRAP 9: Revenue from Exchange Transactions**

The definition of revenue in terms of GRAP 9 incorporates the concept of service potential. Revenue is the gross inflow of economic benefits or service potential when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Entities may derive revenue from exchange or non-exchange transactions.

An exchange transaction is one in which the entity receives resources or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange.

Non-exchange revenue transaction is a transaction where an entity receives value from another entity without directly giving approximately equal value in exchange.

An entity recognises revenue when it is probable that economic benefits or service potential will flow to the entity, and the entity can measure the benefits reliably.

GRAP 9 clarifies that this Standard only applies to revenue from exchange transactions.

Other than terminology difference, no effect on initial adoption of Standard on GRAP 9.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

## **Notes to the Annual Financial Statements**

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### **2. New standards and interpretations (continued)**

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

#### **GRAP 12: Inventories**

GRAP 12 includes the definition of current replacement costs as the cost the entity would incur to acquire the asset on the reporting date. GRAP 12 also includes the principal of service potential associated with the item that will flow to the entity as part of recognition criteria for inventories as well as the concept of goods purchased or produced for distribution at no charge or for a nominal consideration, which is specific to the public sector.

Initial measurement is required at cost (an exchange transaction) and where inventories are acquired at no cost or nominal consideration (non-exchange transaction), their cost shall be their fair value at acquisition date.

Subsequent measurement shall be at lower of cost and net realisable value except if inventories are held for:

- distribution at no charge or for a nominal charge, or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

If the above applies then subsequent measurement shall be at the lower of cost or current replacement cost.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

#### **GRAP 13: Leases**

GRAP 13 incorporates additional guidance on the concept of substance and legal form of a transaction, to illustrate the difference between lease and other contracts and on operating lease incentives.

In certain circumstances, legislation may prohibit the entering into certain types of lease agreements. If the entity has contravened these legislative requirements, the entity is still required to apply the requirements of GRAP 13.

Other than the abovementioned requirements, there is no other impact on the initial adoption of GRAP13.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, the recognition requirements of the Standard would not apply to such items until the transitional provision in that

## **Notes to the Annual Financial Statements**

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**2. New standards and interpretations (continued)**

Standard expires.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

**GRAP 14: Events after the reporting date**

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the annual financial statements are authorised for issue.

GRAP 14 requires the date of authorisation for issue is the date on which the annual financial statements have received approval from management to be issued to the executive authority or municipal council.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

An entity shall adjust the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date.

An entity shall not adjust the amounts recognised in its annual financial statements to reflect non-adjusting events after the reporting date.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

**GRAP 16: Investment Property**

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of an entity's operations.

GRAP 16 states that the use of property to provide housing as a social service does not qualify as investment property even though rentals are earned.

At initial recognition, investment property is measured at cost including transaction costs. However, where an entity acquires investment property through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

After initial recognition, entities can carry investment property at either the fair value (fair value model) or cost less accumulated depreciation and accumulated impairment (cost model).

An entity is required to disclose the fair value of investment property if the cost model is used. When an entity carries investment properties at fair value, the fair value needs to be determined at every reporting date. Gains or losses arising from changes in fair value are included in surplus or deficit for the period in which they arise.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective

## **Notes to the Annual Financial Statements**

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**2. New standards and interpretations (continued)**  
application of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

**GRAP 17: Property, Plant and Equipment**

GRAP 17 does not require or prohibit the recognition of heritage assets but if an entity recognises heritage assets the entity needs to comply with GRAP 17 disclosure requirements.

Additional commentary has been included in to clarify the applicability of infrastructure assets to be recognised in terms of GRAP17.

Where an entity acquires an asset through a non-exchange transaction, i.e. for a nominal or no consideration, its cost is its fair value as at the date of acquisition.

The disclosure requirement for temporarily idle, fully depreciated property, plant and equipment and for property, plant and equipment that are retired from active use is required in GRAP 17 whereas IAS 16 only encourages this disclosure.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

**GRAP 19: Provisions, Contingent Liabilities and Contingent Assets**

GRAP 19 exclude from its scope those provisions and contingent liabilities arising from social benefits for which it does not receive consideration that is approximately equal to the value of goods and services provided directly in return from the recipients of those benefits.

For the purpose of GRAP 19, social benefits refers to goods, services and other benefits provided in the pursuit of the social policy objective of a government. This Standard includes guidance on the accounting of these social benefits.

Outflow of resources embodying service potential also needs to be considered in when assessing if a present obligation that arises from past events exists or not.

The Standard includes accounting for obligations to make additional contributions to a fund. This is similar to the requirements of IFRIC5 (AC438).

It further includes the accounting for the changes in existing decommissioning, restoration and similar liabilities. This is similar to the requirements of IFRIC1 (AC434).

GRAP 19 give specific guidance regarding restructuring by way of transfers that will take place under a government directive and will not involve binding agreements. An obligation exists only when there is a binding transfer agreement.

Additional disclosure for each class of provision regarding reductions in the carrying amounts of provisions that result from payments or other outflows of economic benefits or service potential made during the reporting period and reductions in the carrying amounts of provisions resulting from remeasurement of the estimated future outflow of economic benefits or service potential, or from settlement of the provisions without cost to the entity.

## **Notes to the Annual Financial Statements**

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### **2. New standards and interpretations (continued)**

If an external valuation is used to measure a provision the information relating to the valuation can usefully be disclosed.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirements of the Standard on Provisions, Contingent Liabilities and Contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

#### **GRAP 100: Non-current Assets Held for Sale and Discontinued Operations**

GRAP 100 includes in its scope the reference to non-cash generating assets. It further includes definitions relevant to the understanding of the Standard e.g. "Non-cash-generating assets" are assets other than cash-generating assets and "value in use of a non-cash-generating asset" is the present value of the asset's remaining service potential.

GRAP 100 excludes from the description of a discontinued operation reference to a subsidiary acquired exclusively with a view to resale.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires prospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires prospective application of the Standard. However, the Standard would not apply to those items that have not been recognised as a result of the transitional provisions under the Standard of Property, Plant and Equipment until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

#### **GRAP 101: Agriculture**

GRAP 101 excludes guidance on accounting for non-exchange revenue from government grants related to a biological asset as GRAP 23 on Revenue from Non-Exchange Transactions will provide such guidance.

Recognition requirement includes the concept of the probable flow of service potential.

Biological assets acquired at no or for a nominal value shall be measured on initial recognition and at each reporting date at its fair value less estimated point-of-sale costs.

Additional disclosure is required of biological assets for which the entity's use or capacity to sell is subject to restrictions imposed by regulations that have a significant impact on their total fair value less estimated point-of-sale costs.

In the reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period it is also required to disclose increases or decreases due to transfers.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional

## **Notes to the Annual Financial Statements**

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**2. New standards and interpretations (continued)**

institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires any adjustments required to the previous carrying amounts of assets and net assets shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit in the period that the Standard initially adopted. Comparative information is not required to be restated on initial adoption of this Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

**GRAP 102: Intangible Assets**

GRAP 102 excludes guidance on accounting for intangible assets acquired as part of an entity combination and in-process research and development costs acquired in an entity combination.

Recognition requirement includes the concept of the probable flow of service potential.

GRAP 102 distinguishes between impairment loss of cash generating and non-cash-generating assets.

Intangible assets acquired at no or for a nominal cost shall be measured on acquisition date at its fair value.

In GRAP 102 the identifiable criterion in the definition of an intangible asset has been expanded to include contractual rights arising from binding arrangements, and to exclude rights granted by statute.

Additional guidance included in GRAP 102 to explain that distinction should be made between assets associated with the item of property, plant and equipment and the intangible asset.

Guidance on web site costs has been included in GRAP 102 from SIC Interpretation 32 Intangible Assets – Web Site Costs.

Guidance on intangible assets that may be acquired in exchange for non-monetary assets, where the exchange transaction lacks commercial substance has not been included in GRAP 102 as guidance to be included in GRAP 23.

GRAP 102 does not state “gains shall not be classified as revenue” as GRAP term “income” has a broader meaning than the term “revenue”.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

**IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue**

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial

## **Notes to the Annual Financial Statements**

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**2. New standards and interpretations (continued)**  
recognition.

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

The effective date of the interpretation is for years beginning on or after 01 July 2008.

The municipality has adopted the interpretation for the first time in the 2009 annual financial statements.

The impact of the interpretation is set out in note 43 Changes in Accounting Policy.

**IPSAS 21: Impairment of Non Cash-Generating Assets**

The method of measurement of value in use of a non-cash-generating asset under this Standard is different to that applied to a cash generating asset.

Asset should be measured by reference to the present value of the remaining service potential of the asset.

Determining value in use (present value of remaining service potential) of a non-cash-generating asset, may be the depreciated replacement cost approach, restoration cost approach and service units approach.

This Standard does not require entities to apply an impairment test to property, plant and equipment carried at revalued amounts.

This Standard does not include a decrease in market value significantly greater than would be expected as a result of the passage of time or normal use as a minimum indication of impairment. This indication is included as an additional indication that impairment may exist.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

**IPSAS 20: Related Party Disclosure**

IPSAS 20 specifically excludes any consideration provided to key management personnel solely as a reimbursement for expenditure incurred by those individuals for the benefit of the reporting entity.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

**2.2 Standards and interpretations not yet effective**

The municipality has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2009 or later periods:

**GRAP 18: Segment Reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service

## **Notes to the Annual Financial Statements**

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**2. New standards and interpretations (continued)**

segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the entity's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

**GRAP 23: Revenue from Non-exchange Transactions**

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the entity.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

**GRAP 24: Presentation of Budget Information in the Financial Statements**

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it

## **Notes to the Annual Financial Statements**

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**2. New standards and interpretations (continued)**

includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

**2.3 Standards and interpretations not yet effective or relevant**

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2009 or later periods but are not relevant to its operations:

**GRAP 10: Financial Reporting in Hyperinflationary Economies**

GRAP 10 includes additional guidance as adopted from Financial Reporting in Hyperinflationary Economies (IFRIC 7) on Applying the Restatement Approach.

The initial application of GRAP 4 will have no impact on the annual financial statements.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

**GRAP 11: Construction Contracts**

The definition for "construction contract" was expanded by including a binding arrangement that do not take the form of a legal contract within the scope of the Standard.

Definition for "cost plus or cost based contract" has been expanded to include commercially-based contract.

The scope has been expanded to include cost based and non-commercial contracts.

Public entities need to review contracts to determine whether they fall within the scope of the Standard based on the above changes.

GRAP 11 incorporates the concept of service potential in the condition to determine whether the outcome of a construction contract can be estimated reliably. The requirement to recognise an expected deficit on a contract immediately when it becomes probable that contract costs will exceed total contract revenue applies only to contracts in which it is intended at the inception of the contract that contract costs are to be fully recovered from the parties to that contract (par.47).

Other than the above requirements, there is no other affect on initial adoption of GRAP 11.

The following Directives also need to be considered:

## **Notes to the Annual Financial Statements**

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### **2. New standards and interpretations (continued)**

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **GRAP 103: Heritage Assets**

Grap 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grap 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grap 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Grap 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

## **Notes to the Annual Financial Statements**

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### **2. New standards and interpretations (continued)**

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

on disposal, or

when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality expects to adopt the standard for the first time in the 2008 annual financial statements.

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

**The Msunduzi Municipality**  
Annual Financial Statements for the year ended 30 June 2009

**Notes to the Annual Financial Statements**

	2009 R	2008 R
<b>3. Inventories</b>		
Forestry	37,475,123	30,827,856
Consumable stores	27,346,448	23,529,230
Workshop stores	674,292	674,456
Unused water	1,451,267	1,201,016
Fuel - diesel & petrol	471,002	712,807
	<u>67,418,132</u>	<u>56,945,365</u>
Impairment of inventories	(3,113,172)	(3,113,172)
	<u><b>64,304,960</b></u>	<u><b>53,832,193</b></u>
No impairment was done for inventories during the financial year.		
<b>4. Trade and other receivables from non exchange transactions</b>		
Other debtors - discounted interest	(385,314)	-
Other debtors	16,955,403	30,533,888
Land sale debtors	2,365,471	2,416,362
	<u><b>18,935,560</b></u>	<u><b>32,950,250</b></u>
<b>5. VAT</b>		
VAT	<u>-</u>	<u>5,896,918</u>

**The Msunduzi Municipality**  
Annual Financial Statements for the year ended 30 June 2009

**Notes to the Annual Financial Statements**

	2009 R	2008 R
<b>6. Consumer debtors</b>		
<b>Gross balances</b>		
Rates	137,934,216	163,896,355
Electricity	217,951,333	133,565,857
Water	77,166,555	84,341,816
Sewerage	11,774,192	15,606,946
Refuse	23,155,762	29,412,206
Housing rental	11,437,719	8,617,862
	<b>479,419,777</b>	<b>435,441,042</b>
<b>Less: Provision for doubtful debts</b>		
Rates & General - sewerage, refuse	(36,769,018)	(45,932,004)
Electricity	(121,224,104)	(75,872,606)
Water	(24,007,312)	(56,787,808)
	<b>(182,000,434)</b>	<b>(178,592,418)</b>
<b>Net balance</b>		
Rates	101,165,198	117,964,351
Electricity	96,727,229	57,693,251
Water	53,159,243	27,554,008
Sewerage	11,774,192	15,606,946
Refuse	23,155,762	29,412,206
Housing rental	11,437,719	8,617,862
Financial instruments - discounted interest	22,891,141	-
	<b>320,310,484</b>	<b>256,848,624</b>
<b>Rates</b>		
Current (0 -30 days)	32,322,279	31,442,759
31 - 60 days	4,600,076	6,834,830
61 - 90 days	4,022,221	6,516,710
91 - 120 days	3,467,448	4,388,852
121 - 365 days	3,137,053	4,963,377
> 365 days	90,385,139	109,749,827
	<b>137,934,216</b>	<b>163,896,355</b>
<b>Electricity, refuse, sewerage, water &amp; housing rentals</b>		
Current (0 -30 days)	116,141,788	101,582,467
31 - 60 days	17,232,177	11,486,327
61 - 90 days	14,520,339	8,600,647
91 - 120 days	10,866,079	7,874,561
121 - 365 days	10,893,474	7,583,886
> 365 days	171,831,704	134,407,463
	<b>341,485,561</b>	<b>271,535,351</b>
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	63,315,544	66,633,154
31 - 60 days	12,593,391	13,461,596
61 - 90 days	11,310,589	10,537,887
91 - 120 days	9,632,243	10,546,236
121 - 365 days	9,325,122	10,720,769
> 365 days	163,370,417	124,227,523
	269,547,306	236,127,165
Less: Provision for doubtful debts	(154,700,369)	(154,083,500)

**The Msunduzi Municipality**  
Annual Financial Statements for the year ended 30 June 2009

**Notes to the Annual Financial Statements**

	2009 R	2008 R
<b>6. Consumer debtors (continued)</b>		
	<b>114,846,937</b>	<b>82,043,665</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	71,772,015	69,573,946
31 - 60 days	4,138,520	4,445,679
61 - 90 days	2,667,417	4,040,032
91 - 120 days	2,060,958	2,445,386
121 - 365 days	1,739,901	2,338,562
> 365 days	40,777,711	19,724,970
	123,156,522	102,568,575
Less: Provision for doubtful debts	(27,300,065)	(24,508,918)
	<b>95,856,457</b>	<b>78,059,657</b>
<b>National and provincial government</b>		
Current (0 -30 days)	10,153,493	6,323,565
31 - 60 days	4,578,913	5,917,036
61 - 90 days	4,157,454	4,986,558
91 - 120 days	2,436,751	3,849,032
121 - 365 days	2,686,489	2,961,524
> 365 days	62,704,221	72,698,253
	<b>86,717,321</b>	<b>96,735,968</b>
<b>Reconciliation of bad debt provision</b>		
Balance at beginning of the year	(178,592,418)	(207,017,944)
Contributions to provision	(10,000,000)	(70,000,000)
Bad debts written off against provision	6,591,984	98,425,526
	<b>(182,000,434)</b>	<b>(178,592,418)</b>

**Credit quality of consumer debtors**

Trade receivables comprise of a widespread customer base consisting of domestic, commercial and government consumers.

**The Msunduzi Municipality**  
Annual Financial Statements for the year ended 30 June 2009

**Notes to the Annual Financial Statements**

	2009 R	2008 R
<b>7. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	45,590	40,680
Bank balances	19,246,950	3,383,985
Short-term deposits	93,574,692	260,420,761
	<b>112,867,232</b>	<b>263,845,426</b>

Cash and cash equivalents are classified as financial instruments under the loans and receivable category. Due to the short term nature of these investments no amortisation was performed. Fair value is taken at face value.

The total amount of undrawn facilities available for future operating activities and commitments 10,000,000 10,000,000

**Average rate of return**  
For each year 7.25 11.72

**The municipality had the following bank accounts**

Bank / Account number	Bank statement balances			Cash book balances		
	30 June 2009	30 June 2008	30 June 2007	30 June 2009	30 June 2008	30 June 2007
FNB - No: 5094187782 (Primary)	17,564,736	8,816,824	11,871,254	11,586,616	1,280,210	(16,650,128)
FNB - No: 62006041157 (Post office)	-	-	-	-	(700)	1,618,218
FNB - No: 5090058750 (Electronic transfers)	-	69,867	4,426	1,000	-	-
FNB - No: 5094187774 (Unpaid cheques)	(34,906)	(39,321)	(60,196)	(34,906)	(39,321)	-
FNB - No: 62058007264 (Slum clearance)	25,581,036	12,882,783	6,839,061	26,652,854	12,966,982	6,882,062
FNB - No: 62065528930 (Library extension)	5,671,854	6,241,291	85,101	5,688,294	6,282,327	85,935
FNB - No: 62052319756 (Restructuring grant)	-	4,642,437	7,162,613	-	4,642,437	7,162,613
FNB - No: 62045272143 (Traffic fines)	28,853	29,250	29,250	-	-	-
FNB - No: 50941840627 (Market)	2,119,320	1,387,910	1,866,045	-	-	-
FNB - No: 62069378539 (Oribi airport)	143,935	(325,444)	43,489	(529,356)	(548,330)	(266,959)
FNB - No: 50930082248 (Forestry)	123,752	314,972	186,113	123,752	314,972	439,105
ABSA - No: 9076022706 (Forestry)	1,109,330	1,221,371	1,018,285	1,109,330	1,221,371	1,018,285
Forestry service operations (Ledger account)	-	-	-	(18,945,289)	(18,945,289)	(18,945,289)
FNB - No: 50941849512 (Metro transport)	-	964,563	765,771	-	964,563	-
FNB - No: 50941847029 (Salaries main)	405,837	307,040	(26,611)	405,837	98,671	(265,022)
FNB - No: 62003432846 (Salaries PACs no.1)	-	-	4,333	-	-	-
FNB - No: 62003433414 (Salaries PACs no.2)	606,023	388,588	161,519	-	-	-
<b>Total</b>	<b>53,319,770</b>	<b>36,902,131</b>	<b>29,950,453</b>	<b>26,058,132</b>	<b>8,237,893</b>	<b>(18,921,180)</b>

**The Msunduzi Municipality**  
Annual Financial Statements for the year ended 30 June 2009

**Notes to the Annual Financial Statements**

Figures in Rand

**8. Property, plant and equipment**

	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Buildings	393,048,071	-	393,048,071	133,547,263	(25,233,600)	108,313,663
Infrastructure	4,651,201,752	-	4,651,201,752	1,322,205,494	(662,188,448)	660,017,046
Community	527,434,647	-	527,434,647	185,098,720	(48,427,056)	136,671,664
Other property, plant and equipment	889,531,718	(278,849,930)	610,681,788	1,586,753,972	(1,250,471,711)	336,282,261
Other property, plant and equipment - biological assets	688,383	-	688,383	602,670	-	602,670
<b>Total</b>	<b>6,461,904,571</b>	<b>(278,849,930)</b>	<b>6,183,054,641</b>	<b>3,228,208,119</b>	<b>(1,986,320,815)</b>	<b>1,241,887,304</b>

**Reconciliation of property, plant and equipment - 2009**

	Opening Balance	Additions	Capital under construction	Change in accounting policy	Total
Buildings	108,313,663	-	(534,167,000)	818,901,408	393,048,071
Infrastructure	660,017,046	-	-	3,991,184,706	4,651,201,752
Community	136,671,664	-	-	390,762,983	527,434,647
Other property, plant and equipment	336,282,261	-	-	292,732,527	629,014,788
Other property, plant and equipment - biological assets	602,670	85,713	-	-	688,383
	<b>1,241,887,304</b>	<b>(916,667)</b>	<b>85,713</b>	<b>(534,167,000)</b>	<b>5,493,581,624</b>
					<b>6,201,387,641</b>

**Reconciliation of property, plant and equipment - 2008**

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
Buildings	108,390,363	835,281	(278,423)	2,436,766	-	(3,070,324)	108,313,663
Infrastructure	566,705,510	38,329,746	(30,978)	114,431,418	-	(59,418,650)	660,017,046
Community	129,280,345	8,731,365	-	5,172,866	-	(6,512,912)	136,671,664
Other property, plant and equipment	336,341,369	16,845,477	(229,621)	9,952,792	-	(26,627,756)	336,282,261
Other property, plant and equipment - biological assets	-	520,943	-	-	81,727	-	602,670
	<b>1,140,717,587</b>	<b>65,262,812</b>	<b>(539,022)</b>	<b>131,993,842</b>	<b>81,727</b>	<b>(95,629,642)</b>	<b>1,241,887,304</b>

## Notes to the Annual Financial Statements

	2009 R	2008 R
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### 8. Property, plant and equipment (continued)

Refer Appendix B and B1 for the detailed property, plant and equipment schedules.

As disclosed in the previous year the municipality adheres to the requirements of the National Treasury Guidelines as per MFMA circular no.18 dated 23 June 2005 which states that it is paramount to prepare a process a map to obtain infrastructure assets information over a number of years. During the year the municipality implemented a process to identify record, value and manage the infrastructure assets.

This resulted in a reconstructed fixed asset register for infrastructure assets. The key issues in this regard are as follows:

Physical verification and valuation

\* All the infrastructure assets have been physically verified during the year by specialists. During this process the asset location, condition and maintenance history was recorded and evaluated.

\* The assets have been valued by an independent valuator and are effective on 30 June 2009.

\* Due to the specialised nature of the assets, and market availability of information, the depreciated replacement cost method was used

\* A 100% verification and condition assessment was done except for storm water and sewerage due to the nature of the assets and the fact that the assets are underground

\* In the case of inaccessible assets various methods were employed to record and value the assets. These assets are reflected in the asset register as "polygon assets". A polygon asset that is referenced by a geographically referenced area and the actual portion and detail of the asset estimated within this geographical area. As the assets are maintained or a process implemented to more accurately record these assets the polygon can be broken down into detail components.

#### **Retrospective application of the effects of implementation of GRAP 17**

\* The implementation of GRAP 17 is a change in accounting policy. In terms of GRAP 3 changes in accounting policy should be applied retrospectively unless it is impractical.

\* Due to the historical lack of detail on infrastructure asset information and the requirements to record infrastructure assets into significant components, reconciliation between the old register and new register is not possible. For this reason the retrospective application of the infrastructure asset information is not impractical. The municipality elected to apply the implementation of GRAP 17 prospectively and that the valuation of the assets as the deemed cost of the assets as at 30 June 2009.

#### **Disclosure of the asset information**

\*As the valuation is effective on 30 June 2009 and the fact that the change in accounting policy is applied prospectively, the asset information based on the old register is disclosed in the financial statements. In addition to this the reconciliation between the carrying value of the old assets with the deemed cost of the new register is disclosed.

#### **Deemed cost adjustment**

\*The value of the assets as determined by the valuers will be treated as the deemed cost on 30 June 2009. The difference in value between the global amount reflected per categories in the accounting records and the global amounts of the categories in the new asset register will be treated as a deemed cost adjustment. This adjustment is made directly to the reserves.

\*Future depreciation will be offset with the related amount of the deemed cost adjustment. The purpose of this process is to promote community equity by ensuring that future depreciation expenses incurred will be offset against the deemed cost adjustment.

**The Msunduzi Municipality**  
Annual Financial Statements for the year ended 30 June 2009

**Notes to the Annual Financial Statements**

	2009 R	2008 R
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**9. Intangible assets**

	2009			2008		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	3,077,712	-	3,077,712	11,085,183	(10,181,487)	903,696
Servitudes	176,686	-	176,686	176,686	-	176,686
<b>Total</b>	<b>3,254,398</b>	<b>-</b>	<b>3,254,398</b>	<b>11,261,869</b>	<b>(10,181,487)</b>	<b>1,080,382</b>

**Reconciliation of intangible assets - 2009**

	Opening Balance	Change in accounting policy	Total
Computer software, other	903,696	2,174,016	3,077,712
Servitudes	176,686	-	176,686
	<b>1,080,382</b>	<b>2,174,016</b>	<b>3,254,398</b>

**Reconciliation of intangible assets - 2008**

	Opening Balance	Additions	Amortisation	Total
Computer software, other	1,457,712	256,614	(810,630)	903,696
Servitudes	-	176,686	-	176,686
	<b>1,457,712</b>	<b>433,300</b>	<b>(810,630)</b>	<b>1,080,382</b>

**10. Investment property**

	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	534,167,000	-	534,167,000	-	-	-

**Reconciliation of investment property - 2009**

	Opening Balance	Transfers	Total
Investment property	-	534,167,000	534,167,000

**Other disclosures**

Included in the land and building are items that may meet the definition of investment properties because the municipality has not yet finalised the process to identify investment properties for reporting purposes. This process will be finalised during the 2009/2010 financial year. In addition this task will also identify unsold properties.

**11. Long - term receivables**

Housing	4,283,354	6,458,894
Loans to education facilities & sporting bodies	403,038	440,012
Staff loan	-	7,854
	<b>4,686,392</b>	<b>6,906,760</b>

Current portion of housing debtors 2009: R 1 492 047 and 2008: R 1 566 596.

**The Msunduzi Municipality**  
Annual Financial Statements for the year ended 30 June 2009

**Notes to the Annual Financial Statements**

	2009 R	2008 R
<b>12. Current portion - other financial assets</b>		
Fixed deposits - long to medium term investment	1,930,842	1,934,689
<b>Non-current assets</b>		
At fair value through profit or loss - designated	70,842	74,689
<b>Current assets</b>		
At fair value through profit or loss	1,860,000	1,860,000
	<b>1,930,842</b>	<b>1,934,689</b>
Fair values are determined annually at statement of financial position date.		
<b>13. Current portion of long - term liabilities</b>		
External loan liability	41,868,718	34,365,986
Finance lease liability	5,236,693	6,178,501
	<b>47,105,411</b>	<b>40,544,487</b>
<b>Long term liabilities net of current portion of long term liabilities</b>		
Finance lease and external loan liability	371,716,196	336,768,253
	<b>418,821,607</b>	<b>377,312,740</b>
<b>Long - term liabilities</b>		
At amortised cost	371,716,196	336,768,253
<b>Current liabilities</b>		
Current portion of long term liabilities	47,105,411	40,544,487
	<b>418,821,607</b>	<b>377,312,740</b>

**The Msunduzi Municipality**  
Annual Financial Statements for the year ended 30 June 2009

**Notes to the Annual Financial Statements**

	2009 R	2008 R
<b>14. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	6,797,447	9,795,273
- in second to fifth year inclusive	12,186,424	19,001,823
- later than five years	1,066,959	1,049,009
	<u>20,050,830</u>	<u>29,846,105</u>
less: future finance charges	2,560,800	4,991,341
<b>Present value of minimum lease payments</b>	<u><b>22,611,630</b></u>	<u><b>34,837,446</b></u>
 <b>Present value of minimum lease payments due</b>		
- within one year	6,432,791	9,137,486
- in second to fifth year inclusive	10,132,975	13,663,756
- later than five years	924,264	2,053,522
	<u><b>17,490,030</b></u>	<u><b>24,854,764</b></u>
 Non-current liabilities	10,670,399	7,669,141
Finance lease obligation	-	-
	<u><b>10,670,399</b></u>	<u><b>7,669,141</b></u>
The average lease term was 5 years and the average effective borrowing rate was 11% (2008: 10%).		
<b>15. Trade and other payables</b>		
Trade payables	16,586,696	14,985,564
Other payables	107,880,741	82,978,946
Other deposits	2,790,750	1,799,234
Accrued leave pay	38,502,728	37,371,633
Operating lease payables	130,810	-
Retentions	13,867,375	9,312,268
Other payables accrued	128,036,282	127,633,608
Other payables - discounted interest	(5,434,385)	-
	<u><b>302,360,997</b></u>	<u><b>274,081,253</b></u>
<b>16. Taxes and transfers payable</b>		
Tax refunds payables	<u>5,409,125</u>	<u>-</u>
<b>17. Consumer deposits</b>		
Electricity	27,523,586	28,556,429
Water	4,748,861	4,964,399
Refuse	877,941	917,788
Sewer	1,657,650	1,732,886
	<u><b>34,808,038</b></u>	<u><b>36,171,502</b></u>
Included in deposits is an accrual of interest at an effective interest of 4% per annum		
Balance on the interest reserve as at 30 June 2009 is R7 652 419 and 30 June 2008 R6 833 615		
Guarantees in lieu of electricity and water deposit	<u>8,654,786</u>	<u>5,018,391</u>

**The Msunduzi Municipality**  
Annual Financial Statements for the year ended 30 June 2009

**Notes to the Annual Financial Statements**

	2009 R	2008 R
<b>18. Deferred income / Unspent conditional grants and receipts</b>		
Non-current liabilities	-	-
Current liabilities	113,075,091	145,926,624
	<b>113,075,091</b>	<b>145,926,624</b>
The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the entity has directly benefited; and		
Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.		
See note for reconciliation of grants from National/Provincial Government.		
These amounts are invested in a ring-fenced investment until utilised.		
National grants	57,830,336	102,407,450
Provincial grants & subsidies	13,545,137	7,673,439
Other conditional grant receipts	41,699,618	35,845,735
	<b>113,075,091</b>	<b>145,926,624</b>
<b>19. Current provisions</b>		
Performance bonus	625,167	861,265
<b>The movement in the current provision is reconciled as follows</b>		
Opening Balance	861,265	1,430,837
Contributions	625,167	861,765
Expenditure incurred	(861,265)	(1,431,337)
	<b>625,167</b>	<b>861,265</b>
<b>20. Retirement benefits</b>		
<b>Defined benefit plan</b>		
In terms of IAS 19 the obligation of the Msunduzi Municipality does not carry further than current employment. The cost recognised in the financial period is a contribution payable in exchange for services rendered,		
At time of preparation of the financial statements, no actuarial valuations were received from the pensions.		
<b>The employees of the Council as well as the Council as employer, contribute to municipal pension, retirement and various provident funds as listed below:</b>		
Natal Joint Pension Fund	79,298,249	72,289,032
Natal Joint Provident Fund	17,769,429	11,779,259
Government Employees Pension Fund	4,089,269	4,136,348
Associated Institution Pension Fund	174,089	166,076
South Africa Local Authorities Pension Fund	531,706	440,101
Councillors Pension Fund	2,928,337	2,669,415
Pietermaritzburg Provident Fund	605,381	642,143
	<b>105,396,460</b>	<b>92,122,374</b>
<b>Post retirement medical aid contributions.</b>		
Previously no actuarial valuation was done in terms of IAS 19 and the valuation as at 30 June		

**The Msunduzi Municipality**  
Annual Financial Statements for the year ended 30 June 2009

**Notes to the Annual Financial Statements**

	2009 R	2008 R
<b>20. Retirement benefits (continued)</b>		
2009 is the first of its kind although contributions were made to a provision for retirement benefits on an ad hoc basis in prior years. Deloitte & Touche Actuarial and Insurance Solutions undertook the evaluation in accordance with the requirements of Professional Guidance Note (PNN) 301 of the Actuarial Society of South Africa.		
Valuation method used. The post retirement medical aid liability is valued on a generally accepted actuarial valuation method calculating the liability on a member - by - member basis.		
The Projected Unit Credit Method as prescribed by IAS 19 has been applied. This method is based on the approximation that the post - retirement benefit is notionally built up over the employees' working life.		
There is no actuarial gain/loss as this is the first post-employment medical aid contribution performed.		
The amount of the liability shown in the statement of financial position is the present value of the obligation less the fair value of any planned assets held in respect of the post-retirement medical scheme. There are no planned assets in the valuation.		
<b>Carrying value</b>		
Present value of the defined benefit obligation-wholly unfunded	(98,089,800)	(50,000,000)
<b>Movements for the year</b>		
Opening balance	(50,000,000)	(45,000,000)
Other	(48,089,800)	(5,000,000)
	<b>(98,089,800)</b>	<b>(50,000,000)</b>
<b>Reconciliation of Obligation to disclosed liability</b>		
Actuarial liability	290,448,544	-
Amount disclosed at 30 June 2008	(50,000,000)	-
Straight line contribution on remainder of liability	(48,089,800)	-
<b>Amount to be contributed in the next four years</b>	<b>192,358,744</b>	<b>-</b>
<b>Net expense recognised in the statement of financial performance</b>		
<b>Key assumptions used</b>		
Assumptions used on last valuation on 30 June 2009.		
Discount rates used from	7.60 %	- %
to	8.39 %	- %
Medical inflation-lower than discount rate	1.00 %	- %
Medical inflation higher than CPI	2.50 %	- %
Salary inflation- higher than CPI	2.00 %	- %
Other assumptions: Post retirement mortality PA (90). Retirement age 65 years.		
<b>Sensitivity analysis</b>		
<b>Sensitivity analysis</b>		
The impact of a 1% change in the medical aid inflation rate is reflected in the table underneath.		
<b>Sensitivity to medical inflation</b>		
Base	290,448,544	-
-1%	248,825,292	-
+1%	343,541,221	-

**The Msunduzi Municipality**  
Annual Financial Statements for the year ended 30 June 2009

**Notes to the Annual Financial Statements**

	2009 R	2008 R
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**20. Retirement benefits (continued)**

**882,815,057**      **-**

**21. Provisions**

**Reconciliation of provisions - 2009**

	Opening Balance	Changes in accounting estimate	Change in discount factor	Total
Landfill rehabilitation provision	27,500,000	(8,800,000)	(1,828,834)	16,871,166

**Reconciliation of provisions - 2008**

	Opening Balance	Additions	Total
Landfill rehabilitation provision	25,000,000	2,500,000	27,500,000
Quarry rehabilitation fund	410,279	-	410,279
Airport development fund	945,057	-	945,057
	<b>26,355,336</b>	<b>2,500,000</b>	<b>28,855,336</b>

The landfill site provision represents management's best estimate of the municipality's rehabilitation liability based on an valuation provided by an external consultant on the remaining useful life of the landfill site. The provision's change in estimate amounts to R 8 800 000.

The Msunduzi Municipality may be liable in the future for penalties or clean -up costs for unlawful environmental damage e.g. illegal dumping and clearing of alien vegetation.

According to the National Environmental Management Act, 1998 (Act No. 107 of 1998) the municipality was encouraged to recognise a provision in this regard.

The Msunduzi Municipality would in future raise this provision as it is in agreement this is an outflow of resources embodying benefits or service potential in settlement for future actions .

**The Msunduzi Municipality**  
Annual Financial Statements for the year ended 30 June 2009

**Notes to the Annual Financial Statements**

	2009 R	2008 R
<b>22. Housing development fund</b>		
Unappropriated surplus	17,745,827	20,499,187
Loans extinguished by government on 1 April 1998	34,256,892	34,256,892
	<b>52,002,719</b>	<b>54,756,079</b>
<b>The housing development fund is represented by the following assets &amp; liabilities</b>		
Property plant and equipment	179,968	194,830
Housing selling scheme loans	4,807,240	5,490,733
Housing rental trade receivables	11,437,719	6,690,731
Loans extinguished by Government on 1 April 1998	34,256,892	34,256,892
Bank and cash	1,323,181	8,131,597
Less: trade payables	(2,281)	(8,703)
	<b>52,002,719</b>	<b>54,756,080</b>
<b>23. Capital replacement reserve</b>		
In terms of directive 2 issued by the ASB the transitional provisions as per paragraph 144 of GRAP 1 has been repealed as from the date on which GRAP 1 was adopted by the municipality.		
The Capital replacement reserve was written back to surplus from the earliest comparative date possible 30 June 2009.		
Capital Replacement Reserve	44,790,542	41,035,599
Written back to surplus	(44,790,542)	(41,035,599)
	<b>-</b>	<b>-</b>
<b>24. Self - insurance reserve</b>		
As per the directives issued by the ASB no self insurance reserve can be allowed in Net Assets. The insurance fund were written back to accumulated surplus where it will be ringfenced and applied for insurance transactions.		
Self insurance reserve	31,038,573	24,618,229
Written back to accumulated surplus	(31,038,573)	(24,618,229)
	<b>-</b>	<b>-</b>
<b>25. Revenue</b>		
Rendering of services	1,351,575,918	1,265,337,477
Rental Income	16,684,449	15,717,272
Income from agency services	689,431	751,904
Fines	14,299,020	14,774,353
Licences and permits	53,988	43,655
Government grants	324,440,359	266,381,114
	<b>1,707,743,165</b>	<b>1,563,005,775</b>

**The Msunduzi Municipality**  
Annual Financial Statements for the year ended 30 June 2009

**Notes to the Annual Financial Statements**

	2009 R	2008 R
<b>26. Property Rates</b>		
<b>Rates received</b>		
Residential	252,213,191	139,887,177
Commercial	176,134,262	148,583,820
State	58,610,152	40,806,449
Vacant land	22,183,384	16,755,893
Less: Adjustments processed	(130,584,974)	(965,503)
	<b><u>378,556,015</u></b>	<b><u>345,067,836</u></b>
<b>Valuations</b>		
Residential	8,336,993,700	8,631,921,600
Commercial	6,201,992,100	5,248,625,200
State	2,256,104,100	2,096,870,000
Vacant land	301,028,600	283,068,400
	<b><u>17,096,118,500</u></b>	<b><u>16,260,485,200</u></b>
Valuations on land and buildings are performed every 4 years. The first market valuation will come into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.		
Interest is charged at 18% per annum on rates outstanding after due date.		
The new market valuation will be implemented on 01 July 2009.		
<b>27. Service charges</b>		
Sale of electricity	627,506,504	588,763,396
Sale of water	213,920,408	192,860,811
Solid waste	42,579,578	46,703,450
Sewerage and sanitation charges	68,432,384	68,376,520
	<b><u>952,438,874</u></b>	<b><u>896,704,177</u></b>
The above figure is net of revenue foregone.		
<b>28. Other revenue</b>		
Airport	1,746,821	1,851,896
Forestry	10,459,592	10,278,274
Market	14,845,259	14,220,662
Burials and cremations	1,188,207	1,561,538
Buildings	1,730,706	2,407,621
Re-connections	7,088,028	7,053,174
Training levy recoveries	2,025,279	1,577,104
Discount received	686,490	618,884
Sundry income	14,345,744	16,090,634
Other revenue - foregone	251,024,522	166,217,728
Other revenue - MIG (PMU) operating costs	1,689,010	1,589,502
Other revenue - insurance recoveries	149,931	145,975
Other revenue	91,307	153,216
Reversal of provisions	9,036,098	-
Interest received	22,891,141	-
	<b><u>338,998,135</u></b>	<b><u>223,766,208</u></b>

**The Msunduzi Municipality**  
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**Notes to the Annual Financial Statements**

	2009 R	2008 R
<b>29. Government grants and subsidies</b>		
<b>Government grants</b>		
Conditional grants - revenue	43,193,058	17,455,164
Grants & subsidies - capital	85,802,876	97,770,614
Equitable share	187,098,867	142,974,380
<b>Provincial subsidies</b>		
KZN - NPA subsidies	8,147,972	8,180,956
Grants - other	197,586	-
	<b>324,440,359</b>	<b>266,381,114</b>
 Equitable Share		
In terms of the constitution, this grant is used to subsidise the provision of basic and administrative services to the indigent community members and to subsidise income.		
Conditional Grants and subsidies are receipted to the Conditional Grant Creditor accounts and all non-capital expenditure is expensed through the Statement of Financial Performance. Reimbursements for conditions satisfied, including capital expenditure, are journalised against the Conditional Grant Creditor accounts.		
Conditions on the funding were complied with and no funds were withheld.		
<b>30. General expenses</b>		
Airport	5,698,469	4,092,215
Contracted services	15,297,625	11,049,414
Distribution - wages	43,743,960	36,895,898
External services	25,162,484	28,469,603
Extraordinary	10,785,537	10,084,367
Foregone income - discounts to bulk consumers	93,507,513	102,814,767
Foregone income - other rebates	130,743,958	107,395,092
Foregone income - poor relief / indigents	38,773,547	12,615,398
Forestry	8,346,885	8,496,447
Government grant expenditure	43,438,093	15,673,485
Insurance	19,177,693	16,127,377
Leave / sick pay - downtime	15,857,967	13,313,416
Mayoral projects	19,234,479	6,031,042
Other	113,181,931	79,252,722
Pensions payable	10,154,602	9,368,754
Telephone and fax	9,623,590	8,618,517
	<b>602,728,333</b>	<b>470,298,514</b>

**The Msunduzi Municipality**  
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**Notes to the Annual Financial Statements**

	2009 R	2008 R
<b>31. Employee related costs</b>		
Salaries & wages	382,212,823	336,213,000
Contributions for UIF, pensions & medical aid	94,546,734	82,149,647
Travel, motor car, accommodation, subsistence & other allowances	18,913,725	16,125,590
Overtime payments	65,937,561	49,964,735
Long service awards	12,505,426	11,099,994
Housing benefits and allowances	6,055,806	5,306,271
	<b>580,172,075</b>	<b>500,859,237</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	854,648	506,555
Car Allowance	65,067	40,408
Contributions to UIF, Medical and Pension Funds	215,369	143,527
	<b>1,135,084</b>	<b>690,490</b>
<b>Remuneration of chief finance officer</b>		
Annual Remuneration	603,740	536,820
Car Allowance	94,941	96,000
Contributions to UIF, Medical and Pension Funds	72,783	106,448
	<b>771,464</b>	<b>739,268</b>
<b>Remuneration of executive manager - internal audit</b>		
Annual Remuneration	412,999	-
Car Allowance	132,953	-
Performance Bonuses	33,957	-
Contributions to UIF, Medical and Pension Funds	116,416	-
Acting allowance - July 2007 to April 2008	-	215,766
	<b>696,325</b>	<b>215,766</b>
<b>Remuneration of deputy municipal manager community services</b>		
Annual Remuneration	584,279	539,862
Car Allowance	200,903	158,894
Performance Bonuses	-	52,538
Contributions to UIF, Medical and Pension Funds	1,497	1,473
	<b>786,679</b>	<b>752,767</b>
<b>Remuneration of deputy municipal manager corporate services</b>		
Annual Remuneration	725,182	638,756
Car Allowance	60,000	60,000
Performance Bonuses	-	52,538
Contributions to UIF, Medical and Pension Funds	1,497	1,473
	<b>786,679</b>	<b>752,767</b>

**The Msunduzi Municipality**  
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**Notes to the Annual Financial Statements**

	2009 R	2008 R
<b>31. Employee related costs (continued)</b>		
<b>Remuneration of strategic executive manager of corporate strategic planning</b>		
Annual Remuneration	-	585,203
Car Allowance	-	113,553
Performance Bonuses	-	52,538
Contributions to UIF, Medical and Pension Funds	-	1,473
	<u>-</u>	<u>752,767</u>
<b>Remuneration of deputy municipal infrastructure services</b>		
Annual Remuneration	737,182	650,756
Car Allowance	48,000	48,000
Performance Bonuses	-	52,538
Contributions to UIF, Medical and Pension Funds	1,497	1,473
	<u>786,679</u>	<u>752,767</u>
<b>Remuneration of deputy municipal manager development services</b>		
Car Allowance	-	18,927
Performance Bonuses	-	52,538
Contributions to UIF, Medical and Pension Funds	-	49,611
Acting allowance	397,247	173,345
	<u>397,247</u>	<u>294,421</u>
<b>32. Remuneration of councillors</b>		
Mayor	646,835	569,426
Deputy mayor	520,664	454,667
Councillors	9,612,629	9,109,913
Speaker	520,664	454,667
Executive committee members	4,402,098	3,410,000
Councillors' pension and medical contribution	3,461,786	1,392,760
Other	-	75,712
	<u>19,164,676</u>	<u>15,467,145</u>
<b>In-kind benefits</b>		
The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.		
The Mayor and Deputy Mayor have security and an official driver at a cost to Council.		
<b>33. Debt impairment</b>		
Contributions to doubtful debt provision	<u>10,000,000</u>	<u>10,000,000</u>

**The Msunduzi Municipality**  
Annual Financial Statements for the year ended 30 June 2009

**Notes to the Annual Financial Statements**

	2009 R	2008 R
<b>34. Investment revenue</b>		
<b>Interest revenue</b>		
Interest received - external investments	17,073,381	29,320,951
Interest received - sundry debtors	1,395,660	664,168
Interest received - service debtors	17,041,453	22,308,938
	<b>35,510,494</b>	<b>52,294,057</b>
<b>35. Depreciation and amortisation</b>		
Property, plant and equipment	96,625,686	96,408,758
<b>36. Impairment of assets</b>		
<b>Impairments</b>		
Inventories	-	143,365
<b>37. Finance costs</b>		
Annuity & finance loans	53,271,199	45,957,235
Other interest paid	4,150,193	9,070,998
	<b>57,421,392</b>	<b>55,028,233</b>
Capitalisation rates used during the period were 10.84% on specific borrowings for capital projects and 10.84% being the weighted average cost of funds borrowed generally by the municipality.		
<b>38. Grants and subsidies paid</b>		
<b>Other subsidies</b>		
Community bodies	994,079	780,323
Mayors grants	16,770	9,700
Arts and culture	1,335,908	602,527
Safe city project	2,631,579	3,000,000
	<b>4,978,336</b>	<b>4,392,550</b>
<b>39. Bulk purchases</b>		
Electricity	420,119,222	321,275,361
Water	216,651,627	194,174,295
	<b>636,770,849</b>	<b>515,449,656</b>
<b>40. Cash generated from operations</b>		
Surplus before taxation	25,843,401	116,683,405
<b>Adjustments for:</b>		
Depreciation and amortisation	96,625,686	96,408,758
Surplus on sale of assets	(57,112,023)	(7,239,228)
Interest received	(35,510,494)	(52,294,057)
Finance costs	57,421,392	55,028,233
Fair value adjustments	385,314	-
Impairment deficit	-	143,365
Movements in retirement benefit assets and liabilities	48,089,800	-
Movements in provisions	(9,508,871)	(1,430,837)
Other non-cash items	3,847	-
<b>Changes in working capital:</b>		
Inventories	(10,472,767)	(3,974,191)

**The Msunduzi Municipality**  
Annual Financial Statements for the year ended 30 June 2009

**Notes to the Annual Financial Statements**

	2009 R	2008 R
<b>40. Cash generated from operations (continued)</b>		
Consumer debtors	(40,570,719)	(91,249,598)
Trade and other payables	28,279,744	28,419,575
VAT	11,306,043	(8,877,378)
Deferred income / Unspent conditional grants and receipts	(32,851,533)	50,979,212
	<b>95,189,775</b>	<b>179,399,570</b>
<b>41. Gains or losses on sale of assets</b>		
Property, plant and equipment	1,137,979	-
Land sales	2,231,297	7,239,228
	<b>3,369,276</b>	<b>7,239,228</b>
<b>42. Additional disclosure in terms of the municipal finance management act</b>		
<b>Contributions to SALGA</b>		
Council subscriptions	2,633,574	1,394,494
Amount paid - current year	(2,633,574)	(1,394,494)
	<b>-</b>	<b>-</b>
<b>Audit fees</b>		
Opening balance	61,950	18,342
Over provision written back	(48,916)	43,608
Audit fee invoiced	(2,437,834)	(1,432,227)
Amount - previous years	2,437,834	1,432,227
	<b>13,034</b>	<b>61,950</b>
<b>PAYE &amp; UIF</b>		
Opening balance	(32,915)	(32,915)
Current year payroll deductions	74,241,463	61,810,390
Amount paid - current year	(74,241,463)	(61,810,390)
	<b>(32,915)</b>	<b>(32,915)</b>
Note: The difference represents PAYE & UIF deducted from the employees salaries, however payroll will have to be adjusted in July 2009.		
<b>Pension &amp; medical aid deductions</b>		
Current year payroll deductions & Council contributions	149,735,475	133,286,007
Amount paid - current year	(149,735,475)	(133,286,007)
	<b>-</b>	<b>-</b>

Councillor's Arrear Consumer Accounts.

Note: There are no reportable items.

**43. Changes in accounting policy**

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

In terms of the exemption granted in Gazette 30013 dated 29 June 2007, Council has complied with the following GRAP Standards

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:

**The Msunduzi Municipality**  
Annual Financial Statements for the year ended 30 June 2009

**Notes to the Annual Financial Statements**

	2009 R	2008 R
<b>43. Changes in accounting policy (continued)</b>		
<b>Changes in accounting policy effecting the statement of financial position</b>		
<b>Debit / credit to accumulated surplus/(deficit)</b>		
<b>GRAP 17 - Property, plant and equipment</b>		
In terms of the exemption granted in Gazette 30013 dated 29 June 2007, Council has first time implemented the standard.No retrospective application of the standard has been applied as it was impractical to apply.		
Net unidentified infrastructure assets written out of asset register	1,366,119,478	-
Net identified infrastructure assets taken on in asset register.	(6,126,333,978)	-
	<u>(4,760,214,500)</u>	<u>-</u>
<b>GRAP 16 - Investment property</b>		
In terms of the exemption granted in Gazette 30013 dated 29 June 2007, Council has first time implemented the standard.No retrospective application of the standard has been applied as it was impractical to apply.		
Investment property - taken on as previously not recorded, included in category land and buildings	(534,167,000)	-
	<u>(534,167,000)</u>	<u>-</u>
<b>GRAP 102 - Intangible assets</b>		
In terms of the exemption granted in Gazette 30013 dated 29 June 2007, Council has first time implemented the standard.No retrospective application of the standard has been applied as it was impractical to apply.		
Recognition and measurement of servitutdes not recorded previously.	176,686	-
	<u>176,686</u>	<u>-</u>
<b>In terms of directive 2, and no GRAP standard to comply with</b>		
Transfer of capital replacement reserve	(12,635,717)	-
Transfer of government grant reserve	(563,802,907)	(451,850,971)
Transfer of insurance reserve	(31,038,573)	-
	<u>(607,477,197)</u>	<u>(451,850,971)</u>
<b>Changes in the accounting policy effecting the statement of financial performance</b>		
<b>GRAP 13 - Leases</b>		
In terms of the exemption granted in Gazette 30013 dated 29 June 2007, Council has first time implemented the standard.Retrospective application of the standard has been applied		
Recognition of operating lease payments on a straight line basis.	(146,559)	-
	<u>(5,901,828,570)</u>	<u>(451,850,971)</u>

**The Msunduzi Municipality**  
Annual Financial Statements for the year ended 30 June 2009

**Notes to the Annual Financial Statements**

	2009 R	2008 R
<b>44. Prepaid Electricity</b>		
Commissions - are calculated on sales from prepaid electricity sales made by vendors on behalf of the Council. The commissions are included in the general expenses category of the statement of financial performance.		
In the 2006/2007 financial year two vendors had defaulted in depositing amounts received from prepaid sales. As a result no commission was paid to them. The defaulting vendors are Sweet waters and Phayipini who had ceased trading in January 2007 and October 2006 respectively.		
The amounts of R55 723 and R75 896 respectively are deemed to be irrecoverable for the 2005/2006 financial year. Also the amounts of R13 980 and R15 671 being the movements for the 2006/2007 year are deemed irrecoverable. The matter is being handled by the legal division.		
<b>45. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
Property, plant and equipment	68,699,890	43,693,410
This committed expenditure relates to other : specify- infrastructure assets and will be financed by available bank facilities.		
<b>Operating leases – as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	1,430,205	1,454,179
- in second to fifth year inclusive	-	1,430,205
	<b>1,430,205</b>	<b>2,884,384</b>

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years and rentals are linked to an increase for an average of three years. Operating lease payments represents payments for two contracts namely H. Collins (Compen Building) and Giltime Park CC. No contingent rent is payable.

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**Notes to the Annual Financial Statements**

	2009 R	2008 R
<b>46. Contingencies</b>		
<b>Liabilities</b>		
<b>High court matters</b>		
Blue Thunder trading CC t/a Kanyisa Energy Management and services	258,230	-
BA Clark	379,976	-
S. Mthimkhulu	236,371	-
Stand 2436 Pietermaritzburg (PTY) Ltd	1,462,084	-
South African Local Authorities Pension Fund	250,848	-
PJ Terwolbeek	1,121,620	1,121,620
I Ogilvie	166,161	166,161
DV Ngcobo	2,079,000	2,079,000
F Osman	198,840	198,840
Zeedit Investments	519,963	519,963
Jewitt	10,000,000	10,000,000
T Gonasillan	115,500	-
IN Nzaba	735,000	-
Telkom	45,980	-
TE Zulu	8,709	-
FBI Khan	63,280	-
RYKhan	1,267	-
VN Mkhumbuzi	100,000	-
	<b>17,742,829</b>	<b>14,085,584</b>
<b>Assets</b>		
<b>High court matter</b>		
DL Petersen	-	-
<b>47. Related parties</b>		
The NCT tree farming (Pty) Ltd manages timber plantations established on Council owned land on behalf of the Council by a management agreement. NCT is entitled to a 5% management fee based on net profit.		
Safe City has been formed as a partnership with the business community to combat crime in the city. Council allocates a grant in aid to the entity.		
NCT - 5% of management fee	556,010	93,780
Safe City - grant	3,000,000	3,000,000
	<b>3,556,010</b>	<b>3,093,780</b>
<b>48. Prior period errors</b>		
During the year ended 30 June 2009, the following transactions were erroneously expensed in the statement of financial position and statement of financial performance.		
The comparative amounts have been re-stated as follows:		
<b>Statement of financial position</b>		
Clearing of cheques re-issued as amounts are now recovered	-	(8,791)
Clearing of control votes	-	(2,287,507)
Clearing of general ledger balances with credit amounts	-	(6,354,069)
Clearing of general ledger balances with debit amounts	-	236,913
Closing entries for the market	-	(985,906)
Clearing of retention due to prescription period being applied	-	(137,939)
Inventory adjustment between physical and theoretical inventory	-	852,147
Clearing of restructuring grant interest earned in prior periods	-	(4,803,950)
Stale cheques re-issued for deposit refunds	-	3,365

**The Msunduzi Municipality**  
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**Notes to the Annual Financial Statements**

	2009 R	2008 R
<b>48. Prior period errors (continued)</b>		
Adjustment of finance lease liability at implicit rate	-	(146,299)
Net effect on statement of financial position	-	(13,632,036)
<b>Statement of financial performance</b>		
Clearing of prior period unidentified revenue	-	(117,536)
Input VAT not claimed on expenses adjusted retrospectively	-	(367,500)
SARS VAT refunds received in respect of previous assessments	-	(102,444)
Payments to SARS due to VAT assessments raised in prior periods	-	435,305
Re-imbursement of prior period expenditure from Msunduzi Housing Operating Account (MHOA)	-	(2,396,011)
Reversal of prior period accruals raised for KZNPA subsidies	-	18,483,235
Under accrual of expenditure raised in 2008/09 financial year being adjusted retrospectively	-	316,517
Over accrual of expenditure raised in 2008/09 financial year being adjusted retrospectively	-	(240,601)
Net effect on statement of financial performance	-	16,010,965
Net effect on accumulated surplus	-	2,378,929
<b>49. Events after the reporting date</b>		
None to report on.		
<b>50. Irregular expenditure</b>		
Deviation from normal procurement process	450,033	-
Procurement irregularities	2,320,044	-
Non adherence to supply chain management policy	1,204,697	-
Abuse of emergency/urgent procurement provisions	103,053	-
	<b>4,077,827</b>	<b>-</b>
<b>51. Fruitless and wasteful expenditure</b>		
None to report on.		
<b>52. Municipal entity</b>		
The Safe City project PMB was declared a municipal entity in terms of the MFMA and was incorporated as a section 21 company and was initiated in partnership with the business sector to create a safer CBD.		
Refer to annexure J for the annual financial statement of Safe City.		
<b>53. Electricity &amp; water losses</b>		
Electricity	60,052,372	53,400,839
Water	32,422,512	60,961,439
	<b>92,474,884</b>	<b>114,362,278</b>
<b>54. Traffic fines outstanding</b>		
<b>As per NATIS - traffic department</b>		
Notice of intention to prosecute - 341's	293,590	311,640
Notice before summons	16,250	3,300
Section 54 notices - summons	2,746,530	504,100
Unfinalised fines	9,229,940	426,200
Warrant of arrests	87,150	5,826,270

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**Notes to the Annual Financial Statements**

	2009 R	2008 R
<b>54. Traffic fines outstanding (continued)</b>	<b>12,373,460</b>	<b>7,071,510</b>
<b>55. Comparative figures</b>		
Certain comparative figures have been reclassified.		
The effects of the reclassification are as follows:		
<b>Statement of financial position</b>		
Provisions	5,409,125	5,896,918
Airport Development Fund was included in the Capital Replacement Reserve (CRR) in 2007/08	-	41,035,599
In 2008/09 year it was transferred from the CRR to the provisions	-	77,910,279
Less : Stated benefits provision as actuarial valuation was performed	-	(50,000,000)
Add : Airport Development Fund	-	945,057
Total of provisions	-	28,855,336
Value Added Taxation	5,409,125	5,896,918
In the 2007/08 year a control vote tax recovered was not included in the VAT figure on the statement of financial position	-	-
Main VAT control account	(15,723,666)	(5,452,189)
Add : Control vote tax recovered	10,314,541	11,349,107
Cash and cash equivalents	112,867,232	260,420,761
In the 2008/09 year cash and cash equivalents consist of	-	-
Bank	19,246,950	3,383,985
Cash	45,590	40,680
Investments	93,574,692	260,420,761
In 2007/08 year this was disclosed separately on the face of the statement of financial position	-	-
Trade and other receivables from exchange transactions	-	256,848,624
Trade and other receivables from exchange transactions as per the statement of financial position as at 2008/09	-	-
Less : housing prepayments incorrectly mapped to trade and other receivables now mapped to trade and other payables	-	(9,335)
Trade and other receivables from exchange transactions as per the statement of financial position as at 2007/08	-	256,839,289
Trade and other payables and unspent conditional grants	-	-
In the 2007/08 year trade and other payables decreased and unspent conditional grants and receipts increased by	-	-
Edendale land legal grant	-	(384,622)
Edendale private land acquisition grant	-	(20,956,596)
<b>Statement of financial performance</b>		
Service charges	-	-
Services charges in 2007/08 year was disclosed on the face of the statement of financial performance nett of foregone income	-	673,878,919
Add : Foregone income	-	222,825,257
Gross service charges appearing on the face of 2008/09 statement of financial performance	-	896,704,177
Other income	-	-
Other income as per 2008/09 statement of financial performance	307,070,897	223,766,207
Less : The gain on sale of assets is disclosed separately as an another note	(3,369,276)	(7,239,228)
Other income as per 2007/08 statement of financial performance	-	231,005,434
Other expenses	-	-
Expenses in 2007/08 year was disclosed on the face of the statement of financial performance nett of foregone income	-	247,473,257
Add : foregone income	-	222,825,257
Expenses appearing on the face of 2008/09 statement of financial performance	-	470,298,514

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**Notes to the Annual Financial Statements**

	2009 R	2008 R
<b>56. Accumulated surplus/deficit - internal reserves</b>		
<b>Implementation of GRAP - Ring fencing of reserves</b>		
Accumulated surplus	5,528,675,475	824,663,148
Self insurance reserve	25,726,622	-
COLD	5,311,952	-
Government grant reserve	563,802,908	-
Capital replacement reserve	12,635,718	-
	<b><u>6,136,152,675</u></b>	<b><u>824,663,148</u></b>
<b>57. Unauthorised expenditure</b>		
None to report on.		

THE MSUNDUZI MUNICIPALITY								
APPENDIX A								
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009								
EXTERNAL LOANS	ACCOUNT NO	Loan Number	Redeemable	Balance at 30/06/08	Correction of error	Received during the period	Redeemed written off during the period	Balance at 30/06/09
<b>LONG-TERM LOANS</b>				<b>R</b>		<b>R</b>	<b>R</b>	<b>R</b>
DBSA - 15.5%	PMB8108710930	11158	30/09/2018	11,413,450		0	485,201	10,928,249
DBSA - 15.5%	PMB8108710930	11159	31/03/2019	14,076,835		0	545,168	13,531,667
DBSA - 15.5%	PMB8108710930	11160	31/03/2019	11,997,059		0	464,623	11,532,436
DBSA - 16.5%	PMB8108710930	13446	31/03/2020	22,130,535		0	668,697	21,461,838
DBSA - 16.5%	PMB8108710930	13447	31/03/2020	9,433,380		0	285,039	9,148,341
DBSA - 16.5%	PMB8108710930	13448	31/03/2020	13,967,379		0	422,039	13,545,340
DBSA - 14.27%	PMB8108710930	14039/101	31/12/2014	44,295,325		0	4,621,287	39,674,038
DBSA - 14.27%	PMB8108710930	14039/102	31/12/2015	1,228,840		0	103,065	1,125,775
DBSA - 14.27%	PMB8108710930	102091	2020/02/11	5,070,613		0	214,330	4,856,283
DBSA - 14.27%	PMB8108710930	102416	28/06/2021	47,213,968		0	2,051,803	45,162,165
DBSA - 10.75%	PMB878719598	11649	30/6/2013	28,363		0	4,552	23,810
DBSA - 9.31%	PMB8108710930	101922	30/09/2020	23,309,539		0	1,064,351	22,245,188
DBSA - 8.7%	PMB8108710930	102797	30/09/2022	88,282,169		0	3,222,884	85,059,285
DBSA - 10.79%	PMB8108710930	103059/1	2023/09/30	0		64,000,000	929,221	63,070,779
DBSA - 6.75%	PMB8108710930	103059/2	2023/09/30	0		16,000,000	320,968	15,679,032
<b>DBSA Total</b>				<b>292,447,456</b>	<b>0</b>	<b>80,000,000</b>	<b>15,403,228</b>	<b>357,044,227</b>
RMB/INCA - 16.35%	PMB8108710929	Piet-00-0001	2010/12/31	32,166,081		0	13,033,449	19,132,632
RMB/INCA - 13.39%	PMB8108710929	Msun-00-0001	2010/12/31	19,344,336		0	5,422,555	13,921,781
INCA - 11.65%	PMB8108710929	Msun-00-0001	2013/12/31	20,591,973		0	2,857,644	17,734,329
<b>RMB/INCA Total</b>				<b>72,102,390</b>	<b>0</b>	<b>0</b>	<b>21,313,648</b>	<b>50,788,742</b>
INCA - 11.75%	PMB8108710997	PMB107XA-S	2007/11/01	0		0	0	0
INCA - 14.50%	PMB810870996	PMB107XB-S	2007/11/01	0		0	0	0
RMB/HULETTS - 8.71%	PMB8108710931	Sub-station	2013/06/30	6,584,393		0	832,449	5,751,944
<b>RMB/HULETTS Total</b>				<b>6,584,393</b>		<b>0</b>	<b>832,449</b>	<b>5,751,944</b>
Metro Transport Fund - 5.5%	PMB8108710906			0		0	0	0
Eastwood Library				0		0	0	0
DSB	PMB878719599	Plessislaer	2008	0		0	0	0
DSB	PMB878719598	Plessislaer	2008	0		0	0	0
DSB		Ashburton	2008	0		0	0	0
Temporary borrowings-FNB	PMB8108710001			0		50,000,000	0	50,000,000
<b>Other loans total</b>				<b>0</b>		<b>50,000,000</b>		<b>50,000,000</b>
<b>Total Long-term Loans</b>				<b>371,134,239</b>	<b>0</b>	<b>130,000,000</b>	<b>37,549,325</b>	<b>463,584,914</b>
<b>LEASE LIABILITY</b>								
Standard Bank - 9.4488%	PMB 810 871 0947	Stannic 6	31/03/2009	769,481	11,442	0	758,039	0
Standard Bank - 8.9819%	PMB 810 8710949	Stannic 7	2009/07/10	458,602	8,059	0	383,264	67,278
Standard Bank - 8.9471%	PMB 810 8710950	Stannic 8	2009/05/31	460,042	-13,473	0	261,506	212,009
Standard Bank - 8.9073%	PMB 810 871 0951	Stannic 9	2009/08/31	167,614	-4,283	0	90,288	81,608
Standard Bank - 9.1192%	PMB 810 871 0952	Stannic 10	2010/02/28	45,215	-1,152	0	24,332	22,035
Standard Bank - 9.1182%	PMB 810 871 0953	Stannic 11	2010/03/31	45,219	-3,078	0	24,148	24,148
Standard Bank - 8.5791%	PMB 810 871 0954	Stannic 12	2010/03/31	503,733	-8,299	0	256,674	255,359
Standard Bank - 8.3560%	PMB 810 871 0955	Stannic 13	2010/03/23	244,334	-4,036	0	124,636	123,735
Standard Bank - 8.3376%	PMB 810 871 0956	Stannic 14	2010/04/30	106,558	-1,614	0	54,287	53,885
Standard Bank - 8.3878%	PMB 810 871 0957	Stannic 15	2010/04/30	155,393	-2,564	0	79,253	78,704
Standard Bank - 8.3104%	PMB 810 871 0958	Stannic 16	2010/04/21	322,757	7,756	0	158,106	156,895
Standard Bank - 8.4305%	PMB 810 871 0959	Stannic 17	2010/04/30	805,751	-9,438	0	373,517	441,672
Standard Bank - 8.4150%	PMB 810 871 0960	Stannic 18	2010/05/31	147,574	-1,454	0	62,778	86,250
Standard Bank - 8.4403%	PMB 810 871 0961	Stannic 19	2010/06/30	119,277	-1,175	0	50,732	69,720
Standard Bank - 8.3305%	PMB 810 871 0962	Stannic 20	2010/08/31	691,981	-6,825	0	294,533	404,273
Standard Bank - 8.3299%	PMB 810 871 0963	Stannic 21	2010/08/31	1,320,112	-10,696	0	539,254	791,554
Standard Bank - 8.3750%	PMB 810 871 0964	Stannic 22	2010/08/31	537,611	-2,092	0	176,095	363,608
<b>Standard Bank Total</b>				<b>6,901,254</b>	<b>-42,923</b>	<b>0</b>	<b>3,711,443</b>	<b>3,232,734</b>

THE MSUNDUZI MUNICIPALITY								
APPENDIX A								
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009								
EXTERNAL LOANS	ACCOUNT NO	Loan Number	Reedeemable	Balance at 30/06/08	Correction of error	Received during the period	Redeemed written off during the period	Balance at 30/06/09
Nedbank - 10.000%	PMB 810 871 0965	Nedbank 1	31/12/2011	119,719	1,970	0	29,567	88,182
Nedbank - 10.000%	PMB 810 871 0966	Nedbank 2	31/12/2012	119,719	1,970	0	29,567	88,182
Nedbank - 10.000%	PMB 810 871 0967	Nedbank 3	31/12/2013	119,719	1,970	0	29,567	88,182
Nedbank - 10.000%	PMB 810 871 0968	Nedbank 4	31/12/2014	119,719	1,970	0	29,567	88,182
Nedbank - 10.000%	PMB 810 871 0969	Nedbank 5	31/12/2015	119,719	1,970	0	29,567	88,182
Nedbank - 10.000%	PMB 810 871 0970	Nedbank 6	31/12/2016	119,719	1,970	0	29,567	88,182
Nedbank - 10.000%	PMB 810 871 0971	Nedbank 7	31/12/2017	119,719	1,970	0	29,567	88,182
Nedbank - 10.000%	PMB 810 871 0972	Nedbank 8	31/12/2018	124,016	2,041	0	30,628	91,346
Nedbank - 10.000%	PMB 810 871 0973	Nedbank 9	31/12/2019	124,151	2,043	0	30,662	91,446
Nedbank - 10.000%	PMB 810 871 0974	Nedbank 10	31/12/2014	438,397	6,850	0	49,641	381,942
Nedbank - 10.000%	PMB 810 871 0975	Nedbank 11	24/12/2014	438,433	6,850	0	49,641	381,942
Nedbank - 10.500%	PMB 810 871 0976	Nedbank 12	31/12/2017	1,880,340	25,158	0	130,866	1,724,315
Nedbank - 10.413%	PMB 810 871 0977	Nedbank 13	2012/06/30	138,105	1,752	0	28,984	107,370
Nedbank - 10.413%	PMB 810 871 0978	Nedbank 14	2012/06/30	138,105	1,752	0	28,984	107,370
Nedbank - 10.413%	PMB 810 871 0979	Nedbank 15	2012/06/30	138,105	1,752	0	28,984	107,370
Nedbank - 10.413%	PMB 810 871 0980	Nedbank 16	2012/06/30	138,105	1,752	0	28,984	107,370
Nedbank - 10.413%	PMB 810 871 0981	Nedbank 17	2012/06/30	138,105	1,752	0	28,984	107,370
Nedbank - 10.413%	PMB 810 871 0982	Nedbank 18	2012/06/30	138,105	1,752	0	28,984	107,370
Nedbank - 10.413%	PMB 810 871 0983	Nedbank 19	2012/06/30	138,105	1,752	0	28,984	107,370
Nedbank - 10.413%	PMB 810 871 0984	Nedbank 20	2012/06/30	138,105	1,752	0	28,984	107,370
Nedbank - 10.413%	PMB 810 871 0985	Nedbank 21	2012/06/30	138,105	1,752	0	28,984	107,370
Nedbank - 10.413%	PMB 810 871 0986	Nedbank 22	2012/06/30	138,105	1,752	0	28,984	107,370
Nedbank - 13.369%	PMB 810 871 0138	Nedbank 23	2013/10/01	0		231,480	22,726	208,754
Nedbank - 13.369%	PMB 810 871 0139	Nedbank 24	2013/10/01	0		231,480	22,726	208,754
Nedbank - 13.369%	PMB 810 871 0137	Nedbank 26	2013/10/01	0		231,480	22,726	208,754
Nedbank - 13.369%	PMB 810 871 0104	Nedbank 27	2013/10/01	0		210,282	20,645	189,637
Nedbank - 13.369%	PMB 810 871 0102	Nedbank 28	2013/10/01	0		210,282	20,645	189,637
Nedbank - 13.369%	PMB 810 871 0103	Nedbank 29	2013/10/01	0		210,282	20,645	189,637
Nedbank - 13.369%	PMB 810 871 0105	Nedbank 30	2013/10/01	0		315,724	30,997	284,727
Nedbank - 13.369%	PMB 810 871 0109	Nedbank 31	2013/10/01	0		152,703	14,992	137,711
Nedbank - 13.369%	PMB 810 871 0107	Nedbank 32	2013/10/01	0		152,703	14,992	137,711
Nedbank - 13.369%	PMB 810 871 0110	Nedbank 33	2013/10/01	0		152,703	14,992	137,711
Nedbank - 13.369%	PMB 810 871 0108	Nedbank 34	2013/10/01	0		154,876	15,205	139,671
Nedbank - 13.369%	PMB 810 871 0106	Nedbank 35	2013/10/01	0		312,435	30,674	281,762
Nedbank - 13.369%	PMB 810 871 0128	Nedbank 36	2013/10/01	0		122,768	12,053	110,715
Nedbank - 13.369%	PMB 810 871 0100	Nedbank 37	2013/10/01	0		69,768	6,850	62,918
Nedbank - 13.369%	PMB 810 871 0999	Nedbank 38	2013/10/01	0		69,768	6,850	62,918
Nedbank - 13.369%	PMB 810 871 0998	Nedbank 39	2013/10/01	0		69,768	6,850	62,918
Nedbank - 13.369%	PMB 810 871 0997	Nedbank 40	2013/10/01	0		69,768	6,850	62,918
Nedbank - 13.369%	PMB 810 871 0996	Nedbank 41	2013/10/01	0		69,768	6,850	62,918
Nedbank - 13.369%	PMB 810 871 0995	Nedbank 42	2013/10/01	0		69,768	6,850	62,918
Nedbank - 13.369%	PMB 810 871 0994	Nedbank 43	2013/10/01	0		69,768	6,850	62,918
Nedbank - 13.369%	PMB 810 871 0131	Nedbank 44	2013/10/01	0		122,768	12,053	110,715
Nedbank - 13.369%	PMB 810 871 0993	Nedbank 45	2013/10/01	0		69,768	6,850	62,918
Nedbank - 13.369%	PMB 810 871 0129	Nedbank 46	2013/10/01	0		122,768	12,053	110,715

THE MSUNDUZI MUNICIPALITY								
APPENDIX A								
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009								
EXTERNAL LOANS	ACCOUNT NO	Loan Number	Reedeemable	Balance at 30/06/08	Correction of error	Received during the period	Redeemed written off during the period	Balance at 30/06/09
Nedbank - 13.369%	PMB 810 871 0101	Nedbank 47	2013/10/01	0		69,768	6,850	62,918
Nedbank - 13.369%	PMB 810 871 0130	Nedbank 48	2013/10/01	0		122,768	12,053	110,715
Nedbank - 13.369%	PMB 810 871 0991	Nedbank 49	2013/10/01	0		69,768	6,850	62,918
Nedbank - 13.556%	PMB 810 871 0136	Nedbank 50	2013/10/01	0		104,605	10,224	94,382
Nedbank - 13.369%	PMB 810 871 0990	Nedbank 51	2013/10/01	0		69,768	6,850	62,918
Nedbank - 13.369%	PMB 810 871 0988	Nedbank 52	2013/10/01	0		69,768	6,850	62,918
Nedbank - 13.369%	PMB 810 871 0989	Nedbank 53	2013/10/01	0		69,768	6,850	62,918
Nedbank - 13.369%	PMB 810 871 0992	Nedbank 54	2013/10/01	0		69,768	6,850	62,918
Nedbank - 13.369%	PMB 810 871 0987	Nedbank 55	2013/10/01	0		69,768	6,850	62,918
Nedbank - 13.556%	PMB 810 871 0133	Nedbank 56	2013/10/01	0		104,605	10,224	94,382
Nedbank - 13.556%	PMB 810 871 0134	Nedbank 57	2013/10/01	0		104,605	10,224	94,382
Nedbank - 13.556%	PMB 810 871 0135	Nedbank 58	2013/10/01	0		104,605	10,224	94,382
Nedbank - 13.556%	PMB 810 871 0132	Nedbank 59	2013/10/01	0		104,605	10,224	94,382
Nedbank - 13.369%	PMB 810 871 0121	Nedbank 60	2013/10/01	0		138,256	13,573	124,682
Nedbank - 13.369%	PMB 810 871 0119	Nedbank 62	2013/10/01	0		138,256	13,573	124,682
Nedbank - 13.369%	PMB 810 871 0123	Nedbank 63	2013/10/01	0		138,256	13,573	124,682
Nedbank - 13.369%	PMB 810 871 0122	Nedbank 64	2013/10/01	0		138,256	13,573	124,682
Nedbank - 13.369%	PMB 810 871 0113	Nedbank 65	2013/10/01	0		138,256	13,573	124,682
Nedbank - 13.369%	PMB 810 871 0115	Nedbank 66	2013/10/01	0		138,256	13,573	124,682
Nedbank - 13.369%	PMB 810 871 0120	Nedbank 67	2013/10/01	0		138,256	13,573	124,682
Nedbank - 13.369%	PMB 810 871 0125	Nedbank 68	2013/10/01	0		138,256	13,573	124,682
Nedbank - 13.369%	PMB 810 871 0114	Nedbank 69	2013/10/01	0		138,256	13,573	124,682
Nedbank - 13.369%	PMB 810 871 0112	Nedbank 70	2013/10/01	0		138,256	13,573	124,682
Nedbank - 13.369%	PMB 810 871 0124	Nedbank 71	2013/10/01	0		138,256	13,573	124,682
Nedbank - 13.369%	PMB 810 871 0117	Nedbank 72	2013/10/01	0		138,256	13,573	124,682
Nedbank - 13.369%	PMB 810 871 0127	Nedbank 73	2013/10/01	0		138,256	13,573	124,682
Nedbank - 13.369%	PMB 810 871 0126	Nedbank 74	2013/10/01	0		138,256	13,573	124,682
Nedbank - 13.369%	PMB 810 871 0116	Nedbank 75	2013/10/01	0		138,256	13,573	124,682
Nedbank - 13.369%	PMB 810 871 0118	Nedbank 76	2013/10/01	0		138,256	13,573	124,682
Nedbank - 13.369%	PMB 810 871 0111	Nedbank 77	2013/10/01	0		138,256	13,573	124,682
Nedbank - 13.376%	PMB 810 871 0140	Nedbank 78	2013/10/01	0		275,498	23,530	251,968
Nedbank - 13.376%	PMB 810 871 0141	Nedbank 79	2013/10/01	0		277,115	23,668	253,447
Nedbank - 13.376%	PMB 810 871 0142	Nedbank 80	2013/10/01	0		270,453	23,099	247,354
Nedbank - 13.376%	PMB 810 871 0143	Nedbank 81	2013/10/01	0		277,359	23,689	253,670
<b>Nedbank Total</b>				<b>5,224,424</b>	<b>74,249</b>	<b>8,077,825</b>	<b>1,567,018</b>	<b>11,661,015</b>
Absa -14.9393%	PMB 810 871 0942	Absa 2	2009/05/31	1,681,582	-181,770	0	1,863,353	0
Absa -10.6723%	PMB 810 871 0948	Absa 3	2009/04/01	40,384	4,145	0	36,239	0
<b>ABSA Total</b>				<b>1,721,966</b>	<b>-177,626</b>	<b>0</b>	<b>1,899,592</b>	<b>0</b>
Airport security system	PMB 810 871 0002	Khomani	31/03/2012	0	0	1,091,474	78,131	1,013,343
<b>Other Finance lease total</b>				<b>0</b>	<b>0</b>	<b>1,091,474</b>	<b>78,131</b>	<b>1,013,343</b>
<b>Total lease liability</b>				<b>13,847,644</b>	<b>-146,299</b>	<b>9,169,299</b>	<b>7,256,184</b>	<b>15,907,092</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>384,981,883</b>	<b>-146,299</b>	<b>139,169,299</b>	<b>44,805,509</b>	<b>479,492,006</b>

**THE MSUNDUZI MUNICIPALITY**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009**

	Cost						Accumulated Depreciation				
	Opening Balance	Under Construction Previous Year	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value
<b>LAND AND BUILDINGS</b>											
Land	35,715,856		124,403		(1,661)	35,838,598					35,838,598
Buildings	97,831,408		259,689	100,642	-	98,191,739	25,233,600	3,175,569		28,409,169	69,782,570
<b>Total Land and Buildings</b>	<b>133,547,264</b>	<b>-</b>	<b>384,092</b>	<b>100,642</b>	<b>(1,661)</b>	<b>134,030,338</b>	<b>25,233,600</b>	<b>3,175,569</b>	<b>-</b>	<b>28,409,169</b>	<b>105,621,169</b>
<b>Electricity</b>											
Sub Stations	61,287,947		1,360,691	18,331,013		80,979,651	18,427,022	1,718,217		20,145,239	60,834,412
Electrical Mains	66,855,427				(227,200)	66,628,227	25,790,782	3,378,608	(11,360)	29,158,030	37,470,197
Electrical Meters	44,498,414					44,498,414	16,325,648	2,012,845		18,338,493	26,159,921
Electrical Supply & Reticulation	156,432,245	(4,559,216)		1,147,360		153,020,389	72,297,725	4,943,186		77,240,911	75,779,478
Load control equipment	59,950					59,950	6,003	2,997		9,000	50,950
Switchgear Equipment	25,827,423		665,878	2,020,263		28,513,564	7,066,133	1,202,472		8,268,605	20,244,959
Transformer Kiosks	31,665,991		88,182	3,883,279		35,637,451	11,344,973	1,043,126		12,388,099	23,249,352
	<b>386,627,397</b>	<b>(4,559,216)</b>	<b>2,114,751</b>	<b>25,381,915</b>	<b>(227,200)</b>	<b>409,337,647</b>	<b>151,258,286</b>	<b>14,301,452</b>	<b>(11,360)</b>	<b>165,548,378</b>	<b>243,789,269</b>
<b>Roads</b>											
Motorways	155,732					155,732	34,518	15,573		50,091	105,641
Bridges, Subways and Culverts	7,365,778			184,212		7,549,990	2,783,185	245,395		3,028,580	4,521,411
Over head bridges	191,415	(3,943)				187,472	13,036	6,249		19,285	168,187
Bus Terminals	5,251,041		194,230			5,445,271	2,958,175	156,129		3,114,304	2,330,967
Car Parks	124,286					124,286	41,491	4,377		45,868	78,418
Other Roads	427,218,971	(22,803,051)	18,717,424	90,002,233		513,135,578	263,760,880	20,057,576		283,818,456	229,317,122
Stormwater Drains	67,295,799	(7,067,399)	7,448,403	473,418		68,151,808	25,971,362	2,160,327		28,131,689	40,018,532
Street Lighting	28,606,046			960,472		29,566,518	11,181,291	937,132		12,118,423	17,448,095
Traffic Islands	26,192					26,192	9,764	2,595		12,359	13,833
Traffic Lights	1,638,481			1,281,658		2,920,139	490,156	70,522		560,678	2,359,460
Road Banners	278,138					278,138	18,753	13,907		32,660	245,478
	<b>538,151,879</b>	<b>(29,874,393)</b>	<b>26,360,057</b>	<b>92,901,993</b>	<b>-</b>	<b>627,539,536</b>	<b>307,262,611</b>	<b>23,669,782</b>	<b>-</b>	<b>330,932,393</b>	<b>296,607,143</b>
<b>Sewerage</b>											
Outfall Sewers	2,931,600					2,931,600	567,398	146,580		713,978	2,217,622
Purification Works	35,893					35,893	-	-		35,893	-
Sewerage Pumps	170,734		161,064			331,798	37,195	12,265		49,460	282,338
Sewers	161,732,897	(28,584,997)		65,936,389		199,084,289	46,550,328	4,293,839		50,844,167	148,240,122
	<b>164,871,124</b>	<b>(28,584,997)</b>	<b>161,064</b>	<b>65,936,389</b>	<b>-</b>	<b>202,383,580</b>	<b>47,190,814</b>	<b>4,452,684</b>	<b>-</b>	<b>51,643,498</b>	<b>150,740,082</b>
<b>Water</b>											
Mains	18,297,880	(934,794)	2,450	4,618,522		21,984,059	2,357,343	818,586		3,175,929	18,808,129
Meters	25,810,176		1,452,684			27,262,860	11,569,044	1,727,163		13,296,207	13,966,653
Reservoirs	2,437,119	(1,004,862)		3,859,896		5,292,153	81,930	21,370		103,300	5,188,854
Reticulation	156,758,980		25,502	5,275,803		162,060,285	77,483,020	6,693,241	(800)	84,175,462	77,884,824
Treatment Works						-	-	-		-	-
	<b>203,304,155</b>	<b>(1,939,656)</b>	<b>1,480,637</b>	<b>13,754,222</b>	<b>-</b>	<b>216,599,358</b>	<b>91,491,337</b>	<b>9,260,360</b>	<b>(800)</b>	<b>100,750,898</b>	<b>115,848,460</b>
<b>Footways</b>											
Footways	14,668,685		409,124			15,077,809	9,301,984	562,677		9,864,661	5,213,148
Kerbing	42,099,624					42,099,624	33,462,046	1,968,885		35,430,931	6,668,693
	<b>56,768,309</b>	<b>-</b>	<b>409,124</b>	<b>-</b>	<b>-</b>	<b>57,177,433</b>	<b>42,764,030</b>	<b>2,531,562</b>	<b>-</b>	<b>45,295,592</b>	<b>11,881,841</b>
<b>Airport</b>											
Aprons	346,854					346,854	92,875	17,343		110,218	236,636
Runways	9,584,017			2,035,415		11,619,432	3,487,245	473,555		3,960,800	7,658,632
Taxiways	179,500					179,500	36,674	8,975		45,649	133,851
Radio Beacons	198,551					198,551	72,960	9,928		82,888	115,663
	<b>10,308,922</b>	<b>-</b>	<b>-</b>	<b>2,035,415</b>	<b>-</b>	<b>12,344,337</b>	<b>3,689,754</b>	<b>509,801</b>	<b>-</b>	<b>4,199,555</b>	<b>8,144,783</b>
<b>Security</b>											
Access Control Systems	88,020					88,020	51,937	7,337		59,274	28,746
Fencing	2,828,377		2,152,864			4,981,241	2,072,670	392,192		2,464,862	2,516,379
Security Systems	24,215,576					24,215,576	16,407,010	3,365,030		19,772,040	4,443,536
	<b>27,131,973</b>	<b>-</b>	<b>2,152,864</b>	<b>-</b>	<b>-</b>	<b>29,284,837</b>	<b>18,531,617</b>	<b>3,764,559</b>	<b>-</b>	<b>22,296,176</b>	<b>6,988,661</b>
<b>Total Infrastructure Assets</b>	<b>1,387,163,759</b>	<b>(64,958,262)</b>	<b>32,678,497</b>	<b>200,009,934</b>	<b>(227,200)</b>	<b>1,554,666,728</b>	<b>662,188,448</b>	<b>58,490,200</b>	<b>(12,160)</b>	<b>720,666,489</b>	<b>834,000,239</b>

**THE MSUNDUZI MUNICIPALITY**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009**

	Cost					Accumulated Depreciation				
	Opening Balance	Under Construction Previous Year	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Carrying Value
<b>COMMUNITY ASSETS</b>										
<b>Buildings</b>										
Cemeteries	2,453,031		1,870,394			4,323,425	385,708	86,204		3,851,513
Civic Theatres	1,315,928					1,315,928	603,461	43,864		668,603
Clinics and Hospitals	9,053,259		169,606			9,222,865	2,456,918	302,240		6,463,707
Community Centres	59,533,009			3,165,380		62,698,389	9,162,670	1,977,692		51,558,027
Fire Stations	2,615,761			380,000		2,995,761	900,433	78,723		2,016,605
Games Reserves and Rest Camps	521,835					521,835	148,685	17,394		355,756
Indoor Sports Facilities	445,980					445,980	187,157	14,866		243,957
Library	33,109,298	(3,630,479)	6,634,981			36,113,800	3,251,213	859,790		32,002,798
Museums and Art Galleries	4,966,044					4,966,044	2,408,032	164,510		2,393,502
Parks	3,261,460					3,261,460	360,522	106,838		2,794,100
Public Conveniences	3,018,837					3,018,837	788,372	100,293		2,130,172
Recreation Centres	1,039,451					1,039,451	140,186	34,648		864,617
Stadiums	11,142,814					11,142,814	1,928,896	367,094		8,846,824
	<b>132,476,707</b>	<b>(3,630,479)</b>	<b>8,674,982</b>	<b>3,545,380</b>	<b>-</b>	<b>141,066,589</b>	<b>22,722,253</b>	<b>4,154,156</b>	<b>-</b>	<b>114,190,180</b>
<b>Recreational Facilities</b>										
Floodlighting	2,285,497					2,285,497	1,013,338	112,398		1,159,761
Outdoor Sports Facilities	47,465,470					47,465,470	21,554,984	2,333,518		23,576,968
Swimming Pools	6,311,972					6,311,972	3,020,614	253,854		3,037,504
Tennis Courts	189,550		2,389,527			2,579,077	115,867	19,298		2,443,912
	<b>56,252,489</b>	<b>-</b>	<b>2,389,527</b>	<b>-</b>	<b>-</b>	<b>58,642,016</b>	<b>25,704,803</b>	<b>2,719,068</b>	<b>-</b>	<b>30,218,145</b>
<b>Total Community Assets</b>	<b>188,729,196</b>	<b>(3,630,479)</b>	<b>11,064,509</b>	<b>3,545,380</b>	<b>-</b>	<b>199,708,605</b>	<b>48,427,056</b>	<b>6,873,224</b>	<b>-</b>	<b>144,408,325</b>
<b>OTHER ASSETS</b>										
<b>Other Properties</b>										
Caravan Parks	139,014					139,014	130,594	3,328		5,092
Abattoirs	158,279					158,279	142,907	5,276		10,096
Hostels Workers	632,152					632,152	92,255	21,003		518,894
Housing Schemes	200,498,995				(16,105)	200,482,890	15,239,155	6,558,978	(41)	178,684,799
Markets	23,232,855		163,103			23,395,958	7,954,140	707,653		14,734,166
Nurseries	564,012					564,012	117,439	18,800		427,773
Kilns	1,162,850					1,162,850	331,108	38,762		792,980
Tip Sites	46,803,982		28,700,000			75,503,982	31,682,614	2,655,834		41,165,534
Training facilities	343,507					343,507	7,709	8,160		327,638
Old Age Homes	663,494					663,494	225,635	22,116		415,743
Transport Facilities	41,089,253	(360,871)		26,734		40,755,116	2,851,340	1,055,571		36,848,205
Workshops and Depots	4,981,201		281,151			5,262,352	1,356,704	166,671		3,738,977
	<b>320,269,594</b>	<b>(360,871)</b>	<b>29,144,254</b>	<b>26,734</b>	<b>(16,105)</b>	<b>349,063,606</b>	<b>60,131,600</b>	<b>11,262,150</b>	<b>(41)</b>	<b>277,669,897</b>
<b>Plant and Equipment</b>										
Graders	7,032,305				(914,039)	6,118,266	2,896,401	553,125		2,668,739
Compressors	138,950					138,950	138,950	-		-
Cremators	1,767,178					1,767,178	228,059	117,812		1,421,307
Farm Equipment	103,323		1,000,000			1,103,323	45,722	20,322		1,037,279
General	14,108,594		3,253,403		(8,121)	17,353,876	10,941,139	1,212,757	(68,179)	5,268,159
Lawnmowers	2,432,625				(152,665)	2,279,960	2,430,609	923		(151,572)
Laboratory Equipment	1,488,420					1,488,420	349,031	279,203		860,186
Radio Equipment	1,618,858		22,932			1,641,790	1,437,639	71,108		133,042
Telecommunication Equipment	5,592,291		126,627			5,718,918	2,632,572	1,065,735		2,020,610
Tractors	6,307,757		329,760		(243,615)	6,393,902	3,801,766	346,559		2,245,578
	<b>40,590,301</b>	<b>-</b>	<b>4,732,721</b>	<b>-</b>	<b>(1,318,440)</b>	<b>44,004,582</b>	<b>24,901,888</b>	<b>3,667,545</b>	<b>(68,179)</b>	<b>15,503,328</b>
Other Assets carried forward	360,859,895	(360,871)	33,876,975	26,734	(1,334,545)	393,068,188	85,033,488	14,929,695	(68,220)	293,173,225

**THE MSUNDUZI MUNICIPALITY**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009**

	Cost						Accumulated Depreciation					
	Opening Balance	Under Construction Previous Year	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value	
Other Assets brought forward	360,859,895	(360,871)	33,876,975	26,734	(1,334,545)	393,068,188	85,033,488	-	-	99,894,963	293,173,225	
<b>Office Equipment</b>												
Air Conditioners	11,310,144		151,028		(2,165)	11,459,006	8,141,748	1,000,740		9,142,488	2,316,518	
Computer Hardware	28,929,972		4,903,569			33,833,541	22,888,007	3,360,405		26,248,412	7,585,129	
Computer Software	4,449,399		43,040			4,492,439	2,828,718	1,172,716		4,001,434	491,005	
Office Machines	5,203,372		548,745		(1,650,619)	4,101,498	4,668,180	398,781		5,066,961	(965,463)	
	<b>49,892,887</b>	-	<b>5,646,381</b>	-	<b>(1,652,785)</b>	<b>53,886,484</b>	<b>38,526,653</b>	<b>5,932,643</b>	-	<b>44,459,296</b>	<b>9,427,188</b>	
<b>Furniture and Fittings</b>												
Cabinets and Cupboards	7,985,105		798,614		(3,880)	8,779,840	7,452,238	81,079		7,533,317	1,246,523	
Chairs	9,807,343		100,000		(52,234)	9,855,109	9,743,231	21,196	(70)	9,764,357	90,751	
Furniture and Fittings Other	7,797,811		133,756		(450,457)	7,481,110	6,957,393	264,714	(50,636)	7,171,471	309,639	
Tables and Desks	8,431,254		54,465		(18,455)	8,467,264	8,347,027	14,561		8,361,588	105,676	
	<b>34,021,513</b>	-	<b>1,086,835</b>	-	<b>(525,027)</b>	<b>34,583,322</b>	<b>32,499,889</b>	<b>381,550</b>	<b>(50,706)</b>	<b>32,830,733</b>	<b>1,752,589</b>	
<b>Containers</b>												
Household Refuse Bins	256,014					256,014	179,452	31,564		211,016	44,998	
Bulk Containers	1,291,141					1,291,141	353,613	129,115		482,728	808,413	
	<b>1,547,155</b>	-	-	-	-	<b>1,547,155</b>	<b>533,065</b>	<b>160,679</b>	-	<b>693,744</b>	<b>853,411</b>	
<b>Fire &amp; Ambulance (Medical)</b>												
Fire Equipment	7,757,512		171,100			7,928,612	6,426,962	113,169				
Medical Equipment - Clinics	1,322,496				(42,571)	1,279,925	973,115	82,085	(5,668)	1,049,532	230,394	
	<b>9,080,008</b>	-	<b>171,100</b>	-	<b>(42,571)</b>	<b>9,208,537</b>	<b>7,400,077</b>	<b>195,254</b>	<b>(5,668)</b>	<b>7,589,663</b>	<b>1,618,874</b>	
<b>Motor Vehicles</b>												
Fire Engines	9,696,041		3,018,562	2,016,500		14,731,103	3,770,928	319,087		4,090,015	10,641,088	
Buses	451,139				(451,139)	0	451,139	-		451,139	(451,139)	
Motor Vehicles	20,440,360		1,398,513		(884,922)	20,953,951	12,834,097	2,531,834	(20,062)	15,345,868	5,608,083	
Motor Cycles	696,111		22,600			718,711	696,112	-		696,112	22,599	
Trailers	1,147,281				(86,410)	1,060,871	1,147,281	1,533		1,148,814	(87,943)	
Trucks and Bakkies	90,828,521				(5,780,842)	85,047,679	83,172,473	2,624,963		85,797,436	(749,757)	
	<b>123,259,453</b>	-	<b>4,439,675</b>	<b>2,016,500</b>	<b>(7,203,313)</b>	<b>122,512,314</b>	<b>102,072,029</b>	<b>5,477,417</b>	<b>(20,062)</b>	<b>107,529,383</b>	<b>14,982,931</b>	
<b>Capital leases</b>												
Motor Vehicles	-	-	-	-	-	-	-	-	-	-	-	
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>General</b>												
Railway Lines	3,509,480					3,509,480	2,042,069	165,672		2,207,741	1,301,739	
Aircraft	367,564					367,564	100,127	24,504		124,631	242,933	
Watercraft	131,177					131,177	131,177	-		131,177	-	
Rivers	1,462,550					1,462,550	967,775			967,775	494,775	
Rivers	1,628,317					1,628,317	158,590	81,415		240,005	1,388,312	
Land-Housing	1,295,395					1,295,395	1,061,040			1,061,040	234,355	
Artworks	1,792,853					1,792,853				-	1,792,853	
	<b>10,187,336</b>	-	-	-	-	<b>10,187,336</b>	<b>4,460,778</b>	<b>271,592</b>	-	<b>4,732,370</b>	<b>5,454,966</b>	
<b>Total Other Assets</b>	<b>588,848,247</b>	<b>(360,871)</b>	<b>45,220,967</b>	<b>2,043,234</b>	<b>(10,758,240)</b>	<b>624,993,336</b>	<b>270,525,980</b>	<b>27,348,829</b>	<b>(144,657)</b>	<b>297,730,151</b>	<b>327,263,185</b>	
<b>TOTAL</b>	<b>2,298,288,466</b>	<b>(68,949,610)</b>	<b>89,348,064</b>	<b>205,699,190</b>	<b>(10,987,101)</b>	<b>2,513,399,007</b>	<b>1,006,375,085</b>	<b>95,887,822</b>	<b>(156,817)</b>	<b>1,102,106,091</b>	<b>1,411,280,785</b>	
Intangible Assets	11,085,183		2,960,171			14,045,354	10,181,487	786,155		10,967,642	3,077,712	
Agricultural/Biological Assets	602,670		85,713			688,383					688,383	
<b>Grand Total Assets</b>	<b>2,309,976,318</b>	<b>(68,949,611)</b>	<b>92,393,948</b>	<b>205,699,190</b>	<b>(10,987,101)</b>	<b>2,528,132,745</b>	<b>1,016,556,573</b>	<b>96,673,976</b>	<b>(156,817)</b>	<b>1,113,073,734</b>	<b>1,415,046,880</b>	
Less previous years disposal's								(48,290)				
General Ledger balance as at June 09								96,625,686				

**THE MSUNDUZI MUNICIPALITY**  
**APPENDIX B.1 ASSET REGISTER RECONSTRUCTED AS AT 30 June 2009**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009**

	Carrying Value	Under Construction	Adjustments	Carrying Value (PPE)		Deemed cost adjustment	Deemed Cost
<b>LAND AND BUILDINGS</b>					<b>LAND AND BUILDINGS</b>		
Land	35,838,598	-		35,838,598	Land	144,624,028	180,462,626
Buildings	69,782,570	100,642		69,681,928	Buildings	142,802,874	212,484,802
					Investment Property		534,167,000
<b>Total Land and Buildings</b>	<b>105,621,169</b>	<b>100,642</b>	<b>-</b>	<b>105,520,527</b>	<b>Total Land and Buildings</b>	<b>821,593,902</b>	<b>927,114,428</b>
<b>Electricity</b>					<b>Electricity</b>		
Sub Stations	60,834,412	18,331,013		42,503,399	High voltage overhead lines		44,917,232
Electrical Mains	37,470,197	-		37,470,197	High voltage substations		326,910,630
Electrical Meters	26,159,921	-		26,159,921	High voltage underground cables		13,145,573
Electrical Supply & Reticulation	75,779,478	1,147,360		74,632,118	Medium voltage ground mounted transformers		696,469
Load control equipment	50,950	-		50,950	Medium voltage mini substations		99,619,081
Switchgear Equipment	20,244,959	2,020,263		18,224,697	Medium voltage overhead lines		20,833,903
Transformer Kiosks	23,249,352	3,883,279		19,366,073	Medium voltage substations		110,438,140
					Medium voltage underground cables		659,601,857
					Medium voltage pole mounted transformer		12,426,819
					Medium voltage ring main unit		7,955,718
	<b>243,789,269</b>	<b>25,381,915</b>	<b>-</b>	<b>218,407,354</b>		<b>1,078,138,067</b>	<b>1,296,545,422</b>
<b>Roads</b>					<b>Roads</b>		
Motorways	105,641	-		105,641	Overhead Gantry		125,000
Bridges, Subways and Culverts	4,521,411	184,212		4,337,198	Concrete roads		24,646,497
Over head bridges	168,187	-		168,187	Flexible roads		1,209,618,240
Bus Terminals	2,330,967	-		2,330,967	Unpaved roads		102,636,989
Car Parks	78,418	-		78,418	Other roads		339,141
Roads carried forward	<b>7,204,623</b>	<b>184,212</b>	<b>-</b>	<b>7,020,410</b>		<b>1,330,345,456</b>	<b>1,337,365,867</b>
	<b>Carrying Value</b>	<b>Under Construction</b>	<b>Adjustments</b>	<b>Carrying Value (PPE)</b>		<b>Deemed cost adjustment</b>	<b>Deemed Cost</b>
Roads brought forward	<b>7,204,623</b>	<b>184,212</b>	<b>-</b>	<b>7,020,410</b>		<b>1,330,345,456</b>	<b>1,337,365,867</b>
Other Roads	229,317,122	90,002,233		139,314,889	Structures		226,297,767
Stormwater Drains	40,018,532	473,418	(39,545,114)	(0)	Signalised intersections		32,728,667
Street Lighting	17,448,095	960,472		16,487,623	Low voltage street lighting		27,663,950
Traffic Islands	13,833	-		13,833			
Traffic Lights	2,359,460	1,281,658		1,077,803			
Road Banners	245,478	-		245,478			
Kerbing			6,668,693	6,668,693			
	<b>296,607,143</b>	<b>92,901,993</b>	<b>(32,876,421)</b>	<b>170,828,729</b>		<b>1,453,227,521</b>	<b>1,624,056,250</b>
<b>Sewerage</b>					<b>Sewerage</b>		
Outfall Sewers	2,217,622	-		2,217,622	Pump stations		6,855,769
Purification Works	-	-		-	Sewage treatment works		1,937,582
Sewerage Pumps	282,338	-		282,338	Bulk sewer		56,886,285
Sewers	148,240,122	65,936,389		82,303,733	Sewer reticulation		313,250,017
	<b>150,740,082</b>	<b>65,936,389</b>	<b>-</b>	<b>84,803,693</b>		<b>294,125,960</b>	<b>378,929,653</b>
<b>Water</b>					<b>Water</b>		
Mains	18,808,129	4,618,522		14,189,607	Water supply - Bulk water pipelines		417,802,201
Meters	13,966,652	-		13,966,652	Water supply - pressure reduce valves		2,928,100
Reservoirs	5,188,854	3,859,896		1,328,957	Pump stations		8,306,093
Reticulation	77,884,824	5,275,803		72,609,021	Reservoirs		107,718,163
Treatment Works		-		-	Water reticulation		279,783,128
					Water meters		138,564
	<b>115,848,459</b>	<b>13,754,222</b>	<b>-</b>	<b>102,094,238</b>		<b>714,582,012</b>	<b>816,676,250</b>

[illegible]

<p align="center"><b>THE MSUNDUZI MUNICIPALITY</b>  <b>APPENDIX B.1 ASSET REGISTER RECONSTRUCTED AS AT 30 June 2009</b>  <b>ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009</b></p>							
	Carrying Value	Under Construction	Adjustments	Carrying Value (PPE)		Deemed cost adjustment	Deemed Cost
<b>Recreational Facilities</b>					<b>Recreation facilities</b>		
Floodlighting	1,159,761	-		1,159,761	Swimming Pools		11,484,077
Outdoor Sports Facilities	23,576,968	-		23,576,968	Sports Facilities		6,418,168
Swimming Pools	3,037,504	-		3,037,504	Squash courts		4,703,094
Tennis Courts	2,443,911	-		2,443,911	Parks		152,901,872
	30218144.12			30218144.12		145,289,067	175,507,211
<b>Total Community Assets</b>	<b>144,408,324</b>	<b>3,545,380</b>	<b>-</b>	<b>140,862,945</b>		<b>383,026,322</b>	<b>523,889,266</b>
<b>OTHER ASSETS</b>					<b>OTHER ASSETS</b>		
<b>Other Properties</b>					<b>Other assets</b>		
Caravan Parks	5,092	-		5,092	Creche		11,424,202
Abattoirs	10,096	-		10,096	Crematorium		4,979,564
Hostels Workers	518,894	-		518,894	Housing Scheme		97,370,820
Housing Schemes	178,684,799	-		178,684,799	Hostels		302,660
Markets	14,734,166	-		14,734,166	Landfill site		1,117,121
Nurseries	427,773	-		427,773	Markets		182,708,088
Kilns	792,980	-		792,980	Nursery		7,464,970
Tip Sites	41,165,534	-		41,165,534	Old Age Home		564,630
Training facilities	327,638	-		327,638	Training Centre		6,728,315
Old Age Homes	415,743	-		415,743	Transport Facility		15,278,142
Transport Facilities	36,848,205	26,734		36,821,472	Substation		887,529
Workshops and Depots	3,738,976	-		3,738,976	Sewerage Works and Dump sites		511,525
				-	Workshops and Depots		22,263,936
					Agriculture/Biological assets		688,383
	277,669,896	26,734		277,643,163		84,097,056	352,289,886
	<b>Carrying Value</b>	<b>Under Construction</b>	<b>Adjustments</b>	<b>Carrying Value (PPE)</b>		<b>Deemed cost adjustment</b>	<b>Deemed Cost</b>
<b>Plant and Equipment</b>					<b>Plant and Equipment</b>		
Graders	2,668,739			2,668,739	Graders		2,668,739
Compressors	-			-	Compressors		0
Cremators	1,421,307			1,421,307	Cremators		1,421,307
Farm Equipment	1,037,279			1,037,279	Farm Equipment		1,037,279
General	5,268,159			5,268,159	General		5,268,159
Lawnmowers	(151,572)			(151,572)	Lawnmowers		-151,572
Laboratory Equipment	860,186			860,186	Laboratory Equipment		860,186
Radio Equipment	133,042			133,042	Radio Equipment		133,042
Telecommunication Equipment	2,020,610			2,020,610	Telecommunication Equipment		2,020,610
Tractors	2,245,578			2,245,578	Tractors		2,245,578
	15,503,328			15,503,328			15,503,328
<b>Office Equipment</b>					<b>Office Equipment</b>		
Air Conditioners	2,316,518			2,316,518	Air Conditioners		2,316,518
Computer Hardware	7,585,129			7,585,129	Computer Hardware		7,585,129
Computer Software	491,005			491,005	Computer Software		491,005
Office Machines	(965,463)			(965,463)	Office Machines		(965,463)
	9,427,188			9,427,188			9,427,188
<b>Furniture and Fittings</b>					<b>Furniture and Fittings</b>		
Cabinets and Cupboards	1,246,523			1,246,523	Cabinets and Cupboards		1,246,523
Chairs	90,751			90,751	Chairs		90,751
Furniture and Fittings Other	297,511			309,639	Furniture and Fittings Other		309,639
Tables and Desks	105,676			105,676	Tables and Desks		105,676
	1,740,461			1,752,589			1,752,589

**THE MSUNDUZI MUNICIPALITY**  
**APPENDIX B.1 ASSET REGISTER RECONSTRUCTED AS AT 30 June 2009**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009**

	Carrying Value	Under Construction	Adjustments	Carrying Value (PPE)		Deemed cost adjustment	Deemed Cost
<b>Containers</b>					<b>Containers</b>		0
Household Refuse Bins	44,998			44,998	Household Refuse Bins		44,998
Bulk Containers	808,413			808,413	Bulk Containers		808,413
	<b>853,411</b>			<b>853,411</b>			<b>853,411</b>
<b>Fire &amp; Ambulance (Medical)</b>					<b>Fire &amp; Ambulance (Medical)</b>		0
Fire Equipment					Fire Equipment		0
Medical Equipment - Clinics	230,394			230,394	Medical Equipment - Clinics		230,394
	<b>1,618,874</b>			<b>1,618,874</b>			<b>1,618,874</b>
<b>Motor Vehicles</b>					<b>Motor Vehicles</b>		0
Fire Engines	10,641,088	2,016,500		8,624,588	Fire Engines		8,624,588
Buses	(451,139)			(451,139)	Buses		-451,139
Motor Vehicles	5,608,083			5,608,083	Motor Vehicles		5,608,083
Motor Cycles	22,599			22,599	Motor Cycles		22,599
Trailers	(87,943)			(87,943)	Trailers		-87,943
Trucks and Bakkies	(749,757)			(749,757)	Trucks and Bakkies		-749,757
	<b>14,982,931</b>	<b>2,016,500</b>		<b>12,966,430</b>			<b>12,966,430</b>
<b>Capital leases</b>					<b>Capital leases</b>		0
Motor Vehicles	-				Motor Vehicles		0
	-						0
<b>General</b>					<b>General</b>		
Railway Lines	1,301,739			1,301,739	Railway Lines		1,301,739
Aircraft	242,933			242,933	Aircraft		242,933
General assets carried forward	<b>1,544,671</b>			<b>1,544,671</b>			<b>1,544,671</b>
<b>General assets brought forward</b>	<b>1,544,671</b>			<b>1,544,671</b>			<b>1,544,671</b>
Watercraft	-				Watercraft		0
Rivers	494,775			494,775	Rivers		494,775
Rivers	1,388,311			1,388,311	Rivers		1,388,311
Land-Housing	234,353			234,353	Land-Housing		234,353
Artworks	1,792,853			1,792,853	Artworks		1,792,853
	<b>5,454,963</b>			<b>5,454,963</b>			<b>5,454,963</b>
<b>Total Other Assets</b>	<b>327,251,053</b>	<b>30,743,233</b>	-	<b>315,769,614</b>	<b>Total Other Assets</b>	<b>84,097,056</b>	<b>399,866,670</b>
<b>TOTAL</b>	<b>1,411,280,785</b>	<b>205,699,190</b>	-	<b>1,196,131,261</b>	<b>TOTAL</b>	<b>5,305,940,856</b>	<b>6,502,072,117</b>
Intangible assets	3,077,712			3,077,712	Intangible assets		3,077,712
Agriculture/Biological assets	688,383			688,383	Servitudes		176,686
	<b>1,415,046,880</b>	<b>205,699,190</b>		<b>1,209,347,690</b>		<b>5,305,940,856</b>	<b>6,505,326,515</b>
Less : Disposal 2008/2009						(10,870,973)	
Less : Biological assets						(688,383)	
Net take on of infrastructure assets as at 30 June 2009						<b>5,294,381,500</b>	

**THE MSUNDUZI MUNICIPALITY**

**APPENDIX C**

**ANALYSIS OF PROPERTY , PLANT AND EQUIPMENT AS AT 30 JUNE 2009**

Fixed Assets	Historical Cost						Accumulated Depreciation				
Description	Opening Balance	Under Construction Previous Year	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value
Executive and Council	8,846,539					8,846,539	4,517,430			4,517,430	4,329,109
Finance and Administration	331,183,005		3,344,263		-1,661	334,525,607	169,898,863	3,961,724		173,860,587	160,652,889
Planning and Development	73,746,631					73,746,631	24,928,928			24,928,928	48,817,703
Health	18,205,144		169,606			18,374,750	8,438,709	302,240	-5,668	8,735,281	9,639,469
Community and Social Services	40,752,631	-3,630,479	8,505,376	3,545,380		49,172,908	10,400,052			10,400,052	38,772,856
Housing	185,371,843				-16,105	185,355,738	15,960,008	3,773,193		19,733,201	165,622,537
Public Safety	57,033,782		2,169,964	2,016,500	-42,571	61,177,675	35,654,948	3,843,282		39,498,230	21,679,445
Sport and Recreation	115,498,052		2,389,527			117,887,579	47,137,810	2,719,068		49,856,878	68,030,701
Road Transport	567,440,440	-29,874,393	26,769,181	92,901,994		657,237,222	321,774,776	26,201,344		347,976,120	309,261,102
Environmental Protection	738,845					738,845	91,500	26,201,344		26,292,844	-25,553,999
Water	207,641,424	-1,939,655	1,480,637	13,754,222		220,936,628	95,935,122	9,260,360	-800	105,194,682	115,741,946
Waste Water Management	237,086,790	-28,584,996	161,064	65,936,389		274,599,247	72,943,248	4,452,687		77,395,935	197,203,312
Electricity	425,678,207	-4,559,216	2,114,751	25,381,915	-227,200	448,388,457	175,277,941	14,301,452	-11,360	189,568,033	258,820,424
Other	40,752,985	-360,871	16,589,579	30,862,791	-10,699,564	77,144,920	15,264,238	740,617	-138,989	15,865,866	61,279,054
<b>TOTALS</b>	<b>2,309,976,318</b>	<b>-68,949,611</b>	<b>63,693,948</b>	<b>234,399,191</b>	<b>-10,987,101</b>	<b>2,528,132,745</b>	<b>998,223,573</b>	<b>95,757,311</b>	<b>-156,817</b>	<b>1,093,824,067</b>	<b>1,434,296,547</b>

**THE MSUNDUZI MUNICIPALITY**

**APPENDIX C 1**

**RECONSTRUCTED ANALYSIS OF PROPERTY , PLANT AND EQUIPMENT AS AT 30 JUNE 2009**

Fixed Assets	Historical Cost						Accumulated Depreciation				Carrying Value	Adjustment for Asset register reconstruction	
	Opening Balance	Under Construction Previous Year	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance		Deemed cost Adjustment	New Carry value
Executive and Council	8,846,539					8,846,539	4,517,430			4,517,430	4,329,109	-	4,329,109
Finance and Administration	331,183,005		3,344,263		(1,661)	334,525,607	169,898,863	3,961,724		173,860,587	160,652,889	770,926,690	931,579,579
Planning and Development	73,746,631					73,746,631	24,928,928			24,928,928	48,817,703	-	48,817,703
Health	18,205,144		169,606			18,374,750	8,438,709	302,240	(5,668)	8,735,281	9,639,469	14,668,534	24,308,003
Community and Social Services	40,752,631	(3,630,479)	8,505,376	3,545,380		49,172,908	10,400,052			10,400,052	38,772,856	173,553,320	212,326,176
Housing	185,371,843				(16,105)	185,355,738	15,960,008	3,773,193		19,733,201	165,622,537	38,335,502	203,958,039
Public Safety	57,033,782		2,169,964	2,016,500	(42,571)	61,177,675	35,654,948	3,843,282		39,498,230	21,679,445	12,450,338	34,129,783
Sport and Recreation	115,498,052		2,389,527			117,887,579	47,137,810	2,719,068		49,856,878	68,030,701	194,584,663	262,615,364
Road Transport	567,440,440	(29,874,393)	26,769,181	92,901,994		657,237,222	321,774,776	26,201,344		347,976,120	309,261,102	1,427,141,794	1,736,402,896
Environmental Protection	738,845					738,845	91,500	26,201,344		26,292,844	(25,553,999)	-	(25,553,999)
Water	207,641,424	(1,939,655)	1,480,637	13,754,222		220,936,628	95,935,122	9,260,360	(800)	105,194,682	115,741,946	707,928,127	823,670,072
Waste Water Management	237,086,790	(28,584,996)	161,064	65,936,389		274,599,247	72,943,248	4,452,687		77,395,935	197,203,312	740,898,769	938,102,081
Electricity	425,678,207	(4,559,216)	2,114,751	25,381,915	(227,200)	448,388,457	175,277,941	14,301,452	(11,360)	189,568,033	258,820,424	1,148,226,783	1,407,047,207
Other	40,752,985	(360,871)	16,589,579	30,862,791	(10,699,564)	77,144,920	15,264,238	740,617	(138,989)	15,865,866	61,279,054	76,537,952	137,817,006
<b>TOTALS</b>	<b>2,309,976,318</b>	<b>(68,949,611)</b>	<b>63,693,948</b>	<b>234,399,191</b>	<b>(10,987,101)</b>	<b>2,528,132,745</b>	<b>998,223,573</b>	<b>95,757,311</b>	<b>(156,817)</b>	<b>1,093,824,067</b>	<b>1,434,296,547</b>	<b>5,305,252,473</b>	<b>6,739,549,020</b>

## **APPENDIX - D**

### **The Msunduzi Municipality: Segmental Statement of Financial Performance for the year ended 30 June 2009**

<u>2008</u>	<u>2008</u>	<u>2008</u>		<u>2009</u>	<u>2009</u>	<u>2009</u>
<u>Actual Income</u>	<u>Actual Expenditure</u>	<u>Surplus/(Deficit)</u>		<u>Actual Income</u>	<u>Actual Expenditure</u>	<u>Surplus/(Deficit)</u>
12,363	37,831,089	-37,818,726	Executive & Council	498,575	71,894,906	-71,396,331
489,893,266	143,305,935	346,587,331	Budget & Treasury Office	707,616,066	273,873,011	433,743,055
4,458,182	71,621,750	-67,163,568	Corporate Services	4,458,563	80,943,578	-76,485,015
25,506,900	61,113,533	-35,606,633	Planning & Development	14,964,395	60,181,338	-45,216,944
8,260,788	34,730,497	-26,469,709	Health	8,186,503	39,159,997	-30,973,494
4,952,425	35,721,249	-30,768,824	Community & Social Services	12,139,780	41,753,179	-29,613,398
14,879,298	29,143,545	-14,264,247	Housing	38,712,712	53,209,000	-14,496,288
16,393,012	82,086,901	-65,693,889	Public Safety	20,837,476	110,350,124	-89,512,648
906,043	44,649,585	-43,743,542	Sport and Recreation	1,001,383	54,391,961	-53,390,579
994	41,740,417	-41,739,423	Environmental Protection	5,454	60,754,635	-60,749,182
169,438,443	123,359,272	46,079,171	Waste Management	176,224,642	176,452,596	-227,954
83,210	29,438,219	-29,355,009	Waste Water Management	4,464	33,467,476	-33,463,012
48,682,423	125,003,368	-76,320,945	Road Transport	46,749,102	157,795,952	-111,046,850
256,074,497	207,091,958	48,982,539	Water	301,779,365	230,456,909	71,322,456
555,919,175	449,945,991	105,973,184	Electricity	745,394,999	662,243,682	83,151,317
2,693,252	5,408,079	-2,714,827	Other/Air Transport	2,700,058	7,459,879	-4,759,822
10,278,274	8,860,522	1,417,752	Other/Forestry	10,459,592	8,854,197	1,605,395
14,645,733	11,268,814	3,376,919	Other/Markets	15,339,356	11,983,079	3,356,278
401,731	2,173,573	-1,771,842	Other/Licensing & Regulation	364,095	2,755,502	-2,391,407
<b>1,623,480,009</b>	<b>1,544,494,297</b>	<b>78,985,712</b>	<b>Sub - Total</b>	<b>2,107,436,579</b>	<b>2,137,981,003</b>	<b>-30,544,423</b>
0	-37,697,691	-37,697,691	<b>Less: Inter-Dept Charges</b>	0	-51,887,001	-51,887,001
<b>1,623,480,009</b>	<b>1,506,796,606</b>	<b>116,683,403</b>	<b>Total</b>	<b>2,107,436,579</b>	<b>2,086,094,002</b>	<b>21,342,577</b>

**Appendix - E**

**The Msunduzi Municipality: Actual versus Budget (Revenue and Expenditure) for the year ended 30 JUNE 2009**

	Actual 2009	Budget 2009	Variance 2009	Variance 2009	Explanation of Significant variances greater than 10% versus Budget
Description	R	R	R	%	
<b>Revenue</b>					
Property Rates	378,556,015	376,363,065	2,192,950	0.58	
Property Rates - Penalties and Collection Charges	20,581,029	20,941,823	-360,794	-1.72	
Service Charges	952,438,874	958,443,110	-6,004,236	-0.63	
Sale of Electricity	627,506,504	633,863,290	-6,356,786	-1.00	
Sale of Water	213,920,408	210,554,291	3,366,117	1.60	
Sewerage	68,432,384	67,783,101	649,283	0.96	
Refuse	42,579,578	46,242,428	-3,662,850	-7.92	
Rentals Received	16,684,449	16,998,879	-314,430	-1.85	
Interest earned - External Investments	17,073,381	10,019,004	7,054,377	70.41	
Interest earned - Outstanding debtors	18,437,113	19,811,497	-1,374,384	-6.94	
Fines	14,299,020	13,343,517	955,503	7.16	
Income for Agency Services	689,431	642,332	47,099	7.33	
Governments Grants & Subsidies	324,440,359	245,272,506	79,167,853	32.28	
Public Contributions & Donations	0	0	0	0.00	
Other Income	364,236,908	445,906,891	-81,669,983	-18.32	
<b>Total Revenue</b>	<b>2,107,436,579</b>	<b>2,107,742,624</b>	<b>-306,045</b>		
<b>Expenditure</b>					
Executive & Council	71,894,906	68,560,441	-3,334,465	-4.86	
Budget & Treasury Office	273,873,011	259,807,722	-14,065,289	-5.41	
Corporate Services	80,943,578	78,838,252	-2,105,326	-2.67	
Planning & Development	60,181,338	66,398,437	-6,217,099	-9.36	
Health	39,159,997	36,832,453	-2,327,544	-6.32	
Community & Social Services	41,753,179	37,344,893	-4,408,286	-11.80	
Housing	53,209,000	52,426,751	-782,249	-1.49	
Public Safety	110,350,124	97,811,854	-12,538,270	-12.82	
Sport and Recreation	54,391,961	50,975,156	-3,416,805	-6.70	
Environmental Protection	60,754,635	49,553,738	-11,200,897	-22.60	
Waste Management	176,452,596	152,734,439	-23,718,157	-15.53	
Waste Water Management	33,467,476	32,999,399	-468,077	-1.42	
Road Transport	157,795,952	159,037,171	-1,241,219	-0.78	
Water	230,456,909	219,573,989	-10,882,920	-4.96	
Electricity	662,243,682	757,227,294	-94,983,612	-12.54	
Other/Air Transport	7,459,879	7,101,976	-357,903	-5.04	
Other/Forestry	8,854,197	9,386,147	-531,950	-5.67	
Other/Markets	11,983,079	12,522,071	-538,992	-4.30	
Other/Licensing & Regulation	2,755,502	2,202,735	-552,767	-25.09	
Less: Inter-Dept Charges	-51,887,001	-54,197,153	-2,310,152	4.26	
<b>Total Expenditure</b>	<b>2,086,094,002</b>	<b>2,097,137,765</b>	<b>11,043,763</b>		
<b>Operating Surplus/(Deficit)</b>	<b>21,342,577</b>	<b>10,604,859</b>	<b>10,737,718</b>		

**THE MSUNDUZI MUNICIPALITY**

**APPENDIX F**

**ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY , PLANT AND EQUIPMENT ) FOR THE YEAR ENDED 30 JUNE 2009**

Description	2008 Actual R	2008 Under Construction R	2008 Total Additions R	2008 Budget R	2008 Variance R	2008 Variance %	Explanation of Significant Variances greater than 5% versus Budget
Executive and Council	0			1,606,139	1,606,139	100.00%	
Finance and Administration	3,344,263		3,344,263	23,818,458	20,474,195	85.96%	
Planning and Development	0			25,208,045	25,208,045	100.00%	
Public Safety	4,186,464	2,016,500	2,169,964	5,207,253	1,020,789	19.60%	
Community and Social Services	12,050,756	3,545,380	8,505,376	13,565,158	1,514,402	11.16%	
Health	169,606		169,606	0	-169,606	0.00%	
Sport and Recreation	2,389,527		2,389,527	4,312,606	1,923,079	44.59%	
Road Transport	119,671,175	92,901,994	26,769,181	133,999,576	14,328,401	10.69%	
Environment Protection	0	0	0	0	0	0.00%	
Water	15,234,859	13,754,222	1,480,637	16,313,215	1,078,356	6.61%	
Waste Water Management	66,097,453	65,936,389	161,064	67,919,443	1,821,990	2.68%	
Electricity	27,496,666	25,381,915	2,114,751	30,772,021	3,275,355	10.64%	
Housing	0			8,456,265	8,456,265	100.00%	
Other	47,452,370	30,862,791	16,589,579	3,309,000	-44,143,370	-1334.04%	
	0						
<b>TOTALS</b>	<b>298,093,139</b>	<b>234,399,191</b>	<b>63,693,948</b>	<b>334,487,179</b>	<b>36,394,040</b>	<b>10.88%</b>	

# **THE MSUNDUZI MUNICIPALITY**

## **APPENDIX G**

### **DETAILS OF CONDITIONAL GRANTS AND RECEIPTS AS AT 30 JUNE 2009**

<b>Account No:</b>	<b>Account Description</b>	<b>Unspent Balance @ 1 July 2008</b>	<b>Transfers</b>	<b>Current Year Receipts</b>	<b>Unspent balance @ 30 June 2009</b>	<b>Grant Type</b>	<b>Source Code</b>
PMB0108960001	GRANT COMMUNITY DEVELOPMENT WORKERS	(103,608)	95,789	-	(7,818)	COMM	UNSPENT CG - NATIONAL GOVERNMENT
PMB0108960002	NATIONAL GRANT - MSIG	-	400,000	(400,000)	-	MSIG	UNSPENT CG - NATIONAL GOVERNMENT
PMB0118960002	GRANT DPLG AMENDMENT IDP	(50,000)	-	-	(50,000)	IDP	UNSPENT CG - NATIONAL GOVERNMENT
PMB0358980801	GRANT - FMG	(1,292,274)	1,768,127	(500,000)	(24,147)	FMG	UNSPENT CG - NATIONAL GOVERNMENT
PMB0358980803	GRANT - UNSPENT CONDITIONAL GRANT - RSG	(4,508,206)	4,508,206	-	-	RSG	UNSPENT CG - NATIONAL GOVERNMENT
PMB0358980804	RSG - INVESTMENT ACCOUNT - INTEREST REC.	-	303,597	(303,597)	-	RSG	UNSPENT CG - NATIONAL GOVERNMENT
PMB0608850363	DEBTOR - MIG	-	20,804	(20,804)	-	MIG	UNSPENT CG - NATIONAL GOVERNMENT
PMB0608960012	UNSPENT CONDITIONAL GRANT - MIG	(20,948,988)	76,116,178	(57,085,000)	(1,917,810)	MIG	UNSPENT CG - NATIONAL GOVERNMENT
PMB5118960018	UNSPENT CONDITIONAL GRANT - EDN CORRIDOR	(1,497)	1,497	-	-	EDN	UNSPENT CG - NATIONAL GOVERNMENT
PMB5308960001	SETA DISCRETIONARY GRANT	(14,831)	14,876	(45)	-	SETA	UNSPENT CG - NATIONAL GOVERNMENT
PMB5308960003	UNSPENT COND.GRANT - HRD/LGSETA	(66,000)	66,000	-	-	SETA	UNSPENT CG - NATIONAL GOVERNMENT
PMB5488980001	DEVELOPMENT CAPACITY BUILDING PROJECT	(78,076)	78,076	-	-	CAPAC	UNSPENT CG - NATIONAL GOVERNMENT
PMB5608960001	STORM DAMAGE - DOH FUNDING	(915,846)	-	-	(915,846)	STORM	UNSPENT CG - NATIONAL GOVERNMENT
PMB5608960010	UNSPENT CONDITIONAL GRANT - PHB	(69,219,675)	30,506,950	(15,243,091)	(53,955,816)	PHB	UNSPENT CG - NATIONAL GOVERNMENT
PMB7138960015	UNSPENT CONDITIONAL GRANT - DEPT OF MINERALS	(4,303,186)	3,835,050	-	(468,136)	NER	UNSPENT CG - NATIONAL GOVERNMENT
PMB7878960001	EDN S - UPGRADE WATER SUPPLY	(905,263)	414,500	-	(490,763)	DWAF	UNSPENT CG - NATIONAL GOVERNMENT
		<b>(102,407,450)</b>	<b>118,129,651</b>	<b>(73,552,537)</b>	<b>(57,830,336)</b>		
PMB0138960002	PG:COMMUNITY COMMUNICATION INITIATIVE	(50,000)	-	-	(50,000)	COMM	UNSPENT CG - PROVINCIAL GOVERNMENT
PMB0608960013	UNSPENT CONDITIONAL GRANT - PROVINCE	(294,620)	169,267	(234,813)	(360,166)	PROV	UNSPENT CG - PROVINCIAL GOVERNMENT
PMB1008960002	PG - TECHNICAL SUPPORT	(494,290)	494,290	-	-	PROV	UNSPENT CG - PROVINCIAL GOVERNMENT
PMB1318960001	PROVINCE - TRANSPORT GRANT	(2,453,634)	1,037,249	(8,130,100)	(9,546,486)	TRANS	UNSPENT CG - PROVINCIAL GOVERNMENT
PMB2858960004	PROV - URBAN RENEWAL PROJECT	(3,119,349)	889,793	(454,232)	(2,683,789)	GEDI	UNSPENT CG - PROVINCIAL GOVERNMENT
PMB3458970006	FOOD AID PROGRAMME	(70,104)	-	-	(70,104)	FOOD	UNSPENT CG - PROVINCIAL GOVERNMENT
PMB3478970001	ENVIRONMENTAL HEALTH	(1,823)	1,823	-	-	HEALTH	UNSPENT CG - PROVINCIAL GOVERNMENT
PMB3578970025	WORLD AIDS DAY	32,954	-	(32,954)	-	AIDS	UNSPENT CG - PROVINCIAL GOVERNMENT
PMB4008960002	ENVIRO MGT FRAMEWORK - DPLGTA GRANT	(175,439)	175,439	-	-	ENVIRO	UNSPENT CG - PROVINCIAL GOVERNMENT
PMB5138960001	UNSPENT GRANT : LIBRARY SERVICES	(65,000)	53,557	-	(11,443)	LIBR	UNSPENT CG - PROVINCIAL GOVERNMENT
PMB5278980001	I.D.P. FUND FROM DEPT. OF LG&H	(679,259)	-	-	(679,259)	IDP	UNSPENT CG - PROVINCIAL GOVERNMENT
PMB7018960001	PG - INTERGRATION WITH REDS	(143,952)	143,952	-	-	ELECT	UNSPENT CG - PROVINCIAL GOVERNMENT
PMB7878980801	GRANT - WATER SERVICE DELIVERY PLANNING	(158,923)	15,033	-	(143,890)	WATER	UNSPENT CG - PROVINCIAL GOVERNMENT
		<b>(7,673,439)</b>	<b>2,980,401</b>	<b>(8,852,099)</b>	<b>(13,545,137)</b>		

**THE MSUNDUZI MUNICIPALITY**

**APPENDIX G**

**DETAILS OF CONDITIONAL GRANTS AND RECEIPTS AS AT 30 JUNE 2009**

<b>Account No:</b>	<b>Account Description</b>	<b>Unspent Balance @ 1 July 2008</b>	<b>Transfers</b>	<b>Current Year Receipts</b>	<b>Unspent balance @ 30 June 2009</b>	<b>Grant Type</b>	<b>Source Code</b>
PMB0608960014	UNSPENT CONDITIONAL GRANTS : LIBRARY EXTERNAL	(8,988,487)	10,052,861	(6,740,273)	(5,675,900)	LIBR	UNSPENT CG - OTHER
PMB1258960001	UNSPENT GRANT - DEVELOPER CONTRIBUTION	-	-	(1,004,035)	(1,004,035)	DEVELOPERS	UNSPENT CG - OTHER
PMB2028960002	RETENTION - MIG - VULINDLELA VIP CONSTR.	(32,811)	-	-	(32,811)	MIG	UNSPENT CG - OTHER
PMB2858960001	GEDI - GIJIMA FUNDS	(28,608)	8,278	(4,430)	(24,761)	GEDI	UNSPENT CG - OTHER
PMB2858960002	E/DALE LAND LEGAL	(384,622)	67,654	(24,684)	(341,651)	HOUSING	UNSPENT CG - OTHER
PMB2858960003	E/DALE PVT LAND LEGAL	(20,956,596)	3,674,449	(1,341,227)	(18,623,373)	HOUSING	UNSPENT CG - OTHER
PMB2938960001	DBSA - STORM REHAB. FUND	(42,333)	42,333	-	-	STORM	UNSPENT CG - OTHER
PMB3588970003	USAID AIDS EDUCATOR TRAINING	(23,941)	23,941	-	-	USAID	UNSPENT CG - OTHER
PMB5118960002	UDM - LOCAL TOURISM DEVELOPMENT	-	-	(10,400,000)	(10,400,000)	UDM	UNSPENT CG - OTHER
PMB5118960003	GRANT - WARD 3 5 6	(40,123)	-	-	(40,123)	WARD	UNSPENT CG - OTHER
PMB8328760903	TRUST - CEMETERY TRUST ACCOUNT	(14,308)	-	(1,148)	(15,456)	TRUST	UNSPENT CG - OTHER
PMB8348760907	TRUST - JOHN HARDY TRUST ACCOUNT	(217)	217	-	-	TRUST	UNSPENT CG - OTHER
PMB8358760909	TRUST - PATRIOTIC LEAGUE TRUST ACCOUNT	(45,527)	-	(1,563)	(47,090)	TRUST	UNSPENT CG - OTHER
PMB8368760911	TRUST - PEARSE TRUST ACCOUNT	(1,418,685)	28,017,345	(28,053,073)	(1,454,413)	TRUST	UNSPENT CG - OTHER
PMB8378760913	TRUST - WELCH TRUST ACCOUNT	(359,759)	-	(11,994)	(371,754)	TRUST	UNSPENT CG - OTHER
PMB8388760916	TRUST - MARIA KINSMAN TRUST ACCOUNT	(591,488)	-	-	(591,488)	TRUST	UNSPENT CG - OTHER
PMB8388760920	TRUST - MARIA KINSMAN TRUST - NET INCOME	(37,768)	-	(17,864)	(55,632)	TRUST	UNSPENT CG - OTHER
PMB8398760908	TRUST - MAYORESS NECESSITY FUND	(76,202)	-	(3,211)	(79,413)	TRUST	UNSPENT CG - OTHER
PMB8398760924	TRUST - MAYORESS CHARITY BALL - CLEARING ACCOUNT	(925)	925	-	-	TRUST	UNSPENT CG - OTHER
PMB8408760915	TRUST - CEMETERY TRUST ACCOUNT (M/RISE)	(2,293,364)	-	-	(2,293,364)	TRUST	UNSPENT CG - OTHER
PMB8408760922	TRUST - CEMETERY TRUST ACCOUNT (M/RISE) - INTEREST	(284,079)	-	(136,213)	(420,292)	TRUST	UNSPENT CG - OTHER
PMB8418760906	TRUST - FLEMING TRUST ACCOUNT	(73,443)	-	(2,169)	(75,612)	TRUST	UNSPENT CG - OTHER
PMB8428010001	TRUST - CONT IMBALI FLOOD VICTIMS - PMB FLOOD VICTIMS	(60,858)	-	-	(60,858)	TRUST	UNSPENT CG - OTHER
PMB8428760842	TRUST - PMB FLOOD DISASTER	(30,989)	-	-	(30,989)	TRUST	UNSPENT CG - OTHER
PMB8438760925	TRUST - REFUGEES TRUST ACCOUNT	(60,604)	-	-	(60,604)	TRUST	UNSPENT CG - OTHER
		<b>(35,845,735)</b>	<b>41,888,004</b>	<b>(47,741,886)</b>	<b>(41,699,618)</b>		
		<b>(145,926,625)</b>	<b>162,998,056</b>	<b>(130,146,523)</b>	<b>(113,075,091)</b>		

**THE MSUNDUZI MUNICIPALITY**

**APPENDIX H**

**CONDITIONAL GRANTS AND RECEIPTS AS AT 30 JUNE 2009**

	<b>UNSPENT BALANCE 1-Jul-2008</b>	<b>CURRENT YEARS RECEIPTS</b>	<b>INTEREST ALLOCATED</b>	<b>TRANSFER TO REVENUE OPERATING EXPENDITURE</b>	<b>TRANSFER TO REVENUE CAPITAL EXPENDITURE</b>	<b>TRANSFERS</b>	<b>UNSPENT BALANCE 30-Jun-2009</b>
<b>NATIONAL GOVERNMENT</b>	-	-	-	-	-	-	-
Various as per Appendix G1	(102,407,450)	(73,552,537)	-	-	-	118,129,651	89,274,738
<b>PROVINCIAL GOVERNMENT</b>	-	-	-	-	-	-	-
Various as per Appendix G1	(7,673,439)	(8,852,099)	-	-	-	2,980,401	4,159,061
	-	-	-	-	-	-	-
	(110,080,889)	(82,404,636)	-	-	-	121,110,052	93,433,800
<b>OTHER GRANTS</b>	-	-	-	-	-	-	-
Various as per Appendix G1	(35,845,735)	(47,741,886)	-	-	-	41,888,004	53,784,155
	-	-	-	-	-	-	-
	(145,926,625)	(130,146,523)	-	-	-	162,998,056	(113,075,091)

**THE MSUNDUZI MUNICIPALITY**  
**APPENDIX I**  
**DISCLOSURE OF GRANTS AND RECEIPTS AT 30 JUNE 2009**

	EXECUTIVE & COUNCIL	BUDGET & TREASURY OFFICE	DEVELOPMENT SERVICES	CORPORATE SERVICES	COMMUNITY SERVICES	HEALTH	WASTE MANAGEMENT	WATER	ROAD TRANSPORT	HOUSING	AIRPORT	SPORTS & RECREATION	ELECTRICITY	PUBLIC SAFETY	TOTAL
<b>TRANSFER TO REVENUE - CAPITAL EXPENDITURE</b>															
<b>NATIONAL GOVERNMENT</b>															
MIG	-	-	-	-	-	-	24,462,230	5,967,035	44,776,674	-	-	-	147,653	-	75,353,592
	-	-	-	-	-	-		5,967,035	44,776,674						75,353,592
<b>PROVINCIAL GOVERNMENT</b>															
Department of Transport	-	-	-	-	-	-	-	-	805,340	-	-	-	-	-	805,340
Department of Traditional and Local Govt	-	-	-	-	499,913	-	-	-	-	-	-	-	-	-	499,913
	-	-	-	-	499,913	-	-	-	805,340						1,305,253
<b>TOTAL NATIONAL/PROVINCIAL GOVERNMENT GRANT</b>	-	-	-	-	499,913	-	-	5,967,035	45,582,014						76,658,845
<b>DONATIONS AND PUBLIC CONTRIBUTIONS</b>															
Other	-	-	-	-	287,680	-	-	-	-	-	-	-	-	-	287,680
Msunduzi Library - Carnegie Corporation of New York	-	-	-	-	8,856,350	-	-	-	-	-	-	-	-	-	8,856,350
<b>TOTAL DONATIONS AND PUBLIC CONTRIBUTIONS</b>	-	-	-	-	9,144,030	-	-	-	-	-	-	-	-	-	9,144,030
<b>TOTAL CONDITIONAL GRANTS &amp; RECEIPTS</b>	-	-	-	-	9,643,943	-	-	5,967,035	45,582,014						85,802,875

	EXECUTIVE & COUNCIL	BUDGET & TREASURY OFFICE	DEVELOPMENT SERVICES	CORPORATE SERVICES	COMMUNITY SERVICES	HEALTH	WASTE MANAGEMENT	WATER	ROAD TRANSPORT	HOUSING	AIRPORT	SPORTS & RECREATION	ELECTRICITY	PUBLIC SAFETY	TOTAL
<b>TRANSFER TO REVENUE - OPERATING EXPENDITURE</b>															
<b>NATIONAL GOVERNMENT</b>															
Financial Management Grant	-	1,768,127	-	-	-	-	-	-	-	-	-	-	-	-	1,768,127
MIG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Development Admin Capacity Building	-	-	78,076	-	-	-	-	-	-	-	-	-	-	-	78,076
MSIG/Community Development Workers	495,789	-	-	-	-	-	-	-	-	-	-	-	-	-	495,789
Local Government Housing	-	-	-	-	-	-	-	-	-	34,022,392	-	-	-	-	34,022,392
	495,789	1,768,127	78,076	-	-	-	-	-	-	34,022,392	-	-	-	-	36,364,384
<b>PROVINCIAL GOVERNMENT</b>															
Facelifting Capital City	-	-	-	-	-	-	76,051	-	-	-	-	-	-	-	76,051
Technical Support	-	-	249,291	-	-	-	-	-	-	-	-	-	-	-	249,291
Land Use Management	-	-	104,797	-	-	-	-	-	-	-	-	-	-	-	104,797
Intergration with REDS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	143,952
Health subsidies	-	-	-	-	-	-	-	-	-	-	-	62,972	143,952	-	8,147,972
Department of Transport	-	-	-	-	-	8,085,000	-	-	231,808	-	-	-	-	-	231,808
Enviromental Management Framework	-	-	-	-	-	-	-	-	-	-	-	175,439	-	-	175,439
Water service delivery	-	-	-	-	-	-	-	15,033	-	-	-	-	-	-	15,033
DWAF Funded projects	-	-	-	-	-	-	-	99,798	-	-	-	-	-	-	99,798
	-	-	354,088	-	-	8,085,000	-	114,831	231,808	-	-	238,411	143,952	-	9,244,141
	495,789	1,768,127	432,164	-	-	8,085,000	-	114,831	231,808	34,022,392	-	238,411	143,952	-	45,608,525
<b>TOTAL NATIONAL/PROVINCIAL GOVERNMENT GRANT</b>															
<b>DONATIONS AND PUBLIC CONTRIBUTIONS</b>															
Greater Edendale Land Initiative and Land Legal	-	-	-	-	4,231,118	-	-	-	-	-	-	-	-	-	4,231,118
Msunduzi Library - Carnegie Corporation of New York	-	-	-	-	1,435,174	-	-	-	-	-	-	-	-	-	1,435,174
Other	-	-	-	-	-	23,880	197,586	-	-	-	-	-	-	-	221,466
Airport	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm Damage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IMEP	-	-	-	-	5,666,292	23,880	197,586	-	-	-	-	-	-	42,333	42,333
<b>TOTAL DONATIONS AND PUBLIC CONTRIBUTIONS</b>	-	-	-	-	5,666,292	23,880	197,586	-	-	-	-	-	-	42,333	5,930,091
<b>TOTAL CONDITIONAL GRANTS &amp; RECEIPTS</b>	495,789	1,768,127	432,164	-	5,666,292	8,108,880	197,586	114,831	231,808	34,022,392	-	238,411	143,952	42,333	51,538,616

**SAFE CITY PIETERMARITZBURG**  
**(Association incorporated under Section 21)**  
**(Registration Number: 2002/007386/08)**

ANNUAL FINANCIAL STATEMENTS  
30 June 2009

**SAFE CITY PIETERMARITZBURG**  
**(Association incorporated under Section 21)**  
**Registration Number: 2002/007386/08**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

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**APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

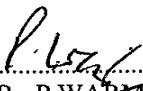
The annual financial statements and other financial information set out in this annual report were prepared by the directors in conformity with International Financial Reporting Standards applied on a consistent basis.

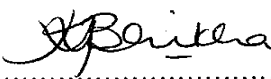
The manner of presentation of the annual financial statements, the selection of accounting policies and the integrity of the financial information are the responsibility of the directors.

The directors are also responsible for the systems of internal control. These are designed to provide reasonable but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The annual financial statements are prepared on a going concern basis. Nothing has come to the attention of the directors to indicate that the association will not remain a going concern for the foreseeable future.

The annual financial statements set out on pages 4 to 15 and the supplementary schedules on pages 16 to 17 were approved by the Board of Directors on 21 July 2009 and are signed on its behalf by:-

  
.....  
DIRECTOR - P WARMINGTON

  
.....  
CHIEF EXECUTIVE OFFICER - N K BHIKHA

  
.....  
DIRECTOR - W D WINSHIP

**SAFE CITY PIETERMARITZBURG**  
**CHAIRMAN'S REPORT**  
for the year ended 30 June 2009

Another successful year of containing crime in the Pietermaritzburg Central District; another year of co-operation with SAPS and the NPA and financial support from the PMB/Msunduzi Municipality as well as from Business, through Business Fighting Crime. As the grandfather and originator of the project, Des Winship, my predecessor and first Chairman said last year, and the years before that "the results reflect the contribution of Safe City's successful operation". This really is a wonderful story and a tribute to his vision.

Our 70 cameras around the City and the monitoring control room manned 24/7 by the staff of IVision (our contracted partners) as well as SAPS is truly impressive. It is something of which the City and all of us should be proud and contribute to making us the City of Choice.

Business Fighting Crime, Pietermaritzburg is administered by the Pietermaritzburg Chamber of Business; both are not-for-profit registered organizations whose Boards of Directors are appointed to provide an honorary service to the community. Both organizations support the Safe City operation in many ways, both financial and advisory; Safe City Board members likewise act in an honorary capacity and have given many hours of service in the cause of reducing the incidence of crime in Pietermaritzburg.

We are, as the Chairman said last year, trying to maintain the latest technology, however this is proving more complex as our operating budget has again been restricted to the budget we were given more than two years ago. It is all very well to grant welcome capital expenditure requests for future development in Edendale or the Harry Gwala stadium (in prospect) or the Freedom Square taxi rank (which have been installed) but the screen coverage and manning of those screens cannot be overlooked. Restricting our monthly "grants" is now beginning to threaten our operating efficiency and as a result we are considering restructuring the operations in order to curtail costs.

However, we are all extremely proud of our viewing successes – of our contribution towards the identification and arrest of suspects; and with our partnership between SAPS and the NPA of an improving conviction rate. We have impressed SAPS nationally with our coverage of major Trials and the City management with our coverage of the Municipal strike which led to the apprehension of some strikers. Our mobile camera has proved extremely useful in some previously "uncovered" areas and for marketing our operation at the Royal Show – so much so that we need to consider further mobile cameras for future high profile events or destinations where SAPS may be experiencing sudden spikes in criminal activities.

We are the first designated Municipal Entity of the Msunduzi Municipality, yet since our designation and our contract with the Municipality was signed we remain extremely concerned about the lack of representation of City Councillors or Senior officials on our Board. Although Mr Kenny Chetty, the Head of Municipal Security was nominated and welcomed to our Board we believe the nomination of at least one Councillor and a senior official from Treasury would improve communications and understanding between Council, the Municipality and our operations.

Another work-in-progress involves once a month meetings between SAPS and the NPA where the progress of our "Screen footage" from the camera room and the corresponding dockets from SARS come together in Court "K" in the Magistrates Court, Business Fighting Crime supplied screens for the Prosecutor and Magistrate (as well as lawyers for the accused) to view footage of suspected criminal incidents; many successful prosecutions have occurred as a result. Our thanks to the Prosecutor and her Supervisor in Court K, as well as the SAPS representatives who have co-operated in this partnership to secure convictions. Our involvement with the NPA has also included participation in training of Prosecutors and encouraging a better understanding of how to utilise the camera footage.

**SAFE CITY PIETERMARITZBURG**  
**CHAIRMAN'S REPORT (continued)**  
for the year ended 30 June 2009

My thanks to all my colleagues on our Board for their support and contributions but especially to my predecessor Des Winship "Oom Des", whose calm and practical background knowledge and advice has been invaluable as well as my compatriot Chairman of Business Fighting Crime, Dem Kambouris, whose support of this initiative and attention to detail has made my job so much easier.

Thank you also to Nutan Bhika the CEO of Safe City, Lucas Holtshausen, Jason Herbert and the staff of IVision, as well as the Project Manager, Pieter van Rensburg and the camera maintenance operator, Provicom and their local maintenance staff member Riaan Holtshausen who have worked so effectively to keep the "Eye of the Elephant" alert and effective at all times.

Finally I would like to thank all our sponsors and contributors who continue to make this operation a success; besides the Municipality whose support is so essential, I would like to acknowledge Hulett Aluminium, our lawyers Venn Nemeth and Hart, Auditors Deloitte and Touche, the Witness newspaper and all our other sponsors.



**P WARMINGTON**

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SAFE CITY PIETERMARITZBURG**

### **Report on the Financial Statements**

We have audited the annual financial statements of Safe City Pietermaritzburg which comprise the statement of financial position as at 30 June 2009, the statement of financial performance and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 15.

### **Directors' Responsibility for the Financial Statements**

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

National Executive: GG Gelink Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit  
DL Kennedy Tax & Legal and Risk Advisory L Geeringh Consulting L Bam Corporate Finance CR Beukman Finance  
TJ Brown Clients & Markets NT Mtoba Chairman of the Board CR Quilty Deputy Chairman of the Board  
Regional Leader: GC Brazier

A full list of partners and directors is available on request

B-BBEE rating: Level 3 contributor/AA (certified by Empowerdex)

Member of Deloitte Touche Tohmatsu

**REPORT OF THE INDEPENDENT AUDITORS  
TO THE MEMBERS OF SAFE CITY PIETERMARITZBURG (continued)**

**Qualifications**

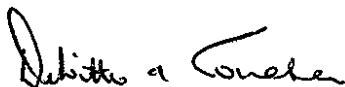
Cash collections and donations

In common with similar organisations, it is not feasible for Safe City Pietermaritzburg to institute accounting controls over cash collections and donations prior to initial entry of the collections in the accounting records. Accordingly, it was impractical for us to extend our examination beyond the receipts actually recorded.

**Opinion**

In our opinion, except for the effect on the annual financial statements of the matter referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of the association as of 30 June 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

The detailed statement of financial performance and list of contributors set out on pages 16 and 17 do not form part of the annual financial statements and are presented solely for the information of the members. Accordingly, we do not express an opinion on these schedules.



Deloitte & Touche  
Per D McArthur  
(Registered Accountant and Auditor)  
Partner  
Pietermaritzburg

21 July 2009

**SAFE CITY PIETERMARITZBURG**  
**REPORT OF THE DIRECTORS**  
for the year ended 30 June 2009

The directors have pleasure in presenting their report for the year ended 30 June 2009.

**REVIEW OF THE OPERATIONS FOR THE YEAR**

The financial position of the association at 30 June 2009 is set out in the attached annual financial statements. The statement of financial performance reflects an operating surplus for the year of R12 239 (2008: R54 795).

**SUBSEQUENT EVENTS**

No material fact or circumstances has occurred between the reporting date and the date of this report.

**DIRECTORS**

The following members acted as directors during the year under review:

P Warmington	(Chairman)
W D Winship	
V C Biggs	
P Henwood	(retired in Nov 2008)
M Ghela	
R P Stuart	
P Maharaj	
N K Bhikha	(CEO)
J A Vorster	
D Sokhela	
D Harrison	
D Kambouris	
I Dugmore	

**CHAIRMAN**

P Warmington (appointed 01/07/2008)

**CHIEF EXECUTIVE OFFICER**

N K Bhikha

**PLACE OF BUSINESS**

City Hall  
Chief Albert Luthuli Road  
PIETERMARITZBURG  
3201

**NATURE OF BUSINESS**

An Association between business, the local authority, the community, government and non-government organisations to proactively combat crime in Pietermaritzburg.

**AUDITORS**

Deloitte & Touche

**BANKERS**

First National Bank

**ACKNOWLEDGEMENTS**

Deloitte & Touche for their engagement in carrying out a partly honorary audit for Safe City.

**SAFE CITY PIETERMARITZBURG**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ended 30 June 2009

	<u>Note</u>	<u>2009</u> R	<u>2008</u> R
Revenue		2 642 582	2 631 579
Interest received		63 460	76 556
		<hr/>	<hr/>
Total income		2 706 042	2 708 135
Operating expenses		2 693 803	2 653 340
		<hr/>	<hr/>
Operating surplus for the year	4	12 239	54 795
Transfers (to)/from reserves		(12 239)	(54 795)
		<hr/>	<hr/>
- Non-distributable reserve - General	5	12 239	54 795
		<hr/>	<hr/>
SURPLUS for the year		-	-
		<hr/> <hr/>	<hr/> <hr/>

**SAFE CITY PIETERMARITZBURG**  
**STATEMENT OF FINANCIAL POSITION**  
as at 30 June 2009

	<u>Notes</u>	<u>2009</u> R	<u>2008</u> R
<b>ASSETS</b>			
NON-CURRENT ASSETS			
Property, plant and equipment	7	51 321	70 090
CURRENT ASSETS			
Accounts receivable		27 080	4 499
Cash on hand and balances with banks	8	799 454	1 051 575
TOTAL ASSETS		877 855	1 126 164
<b>EQUITY AND LIABILITIES</b>			
EQUITY RESERVES			
Non-distributable reserve - general	5	868 423	856 184
CURRENT LIABILITIES			
Accounts payable		9 432	269 980
TOTAL EQUITY AND LIABILITIES		877 855	1 126 164

**SAFE CITY PIETERMARITZBURG**  
**CASH FLOW STATEMENT**  
for the year ended 30 June 2009

	<u>Notes</u>	<u>2009</u> R	<u>2008</u> R
<b>OPERATING ACTIVITIES</b>			
Cash receipts from donors		2 683 462	2 631 579
Cash paid to suppliers and employees		(2 991 646)	(2 605 794)
Cash (utilised in)/generated from operations	A	(308 184)	25 785
Interest received		63 460	76 556
Interest paid		(199)	(485)
Net cash (utilised in)/generated from operating activities		(244 923)	101 856
<b>INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(7 198)	(73 382)
Net cash flow used in investing activities		(7 198)	(73 382)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(252 121)	28 474
Cash and cash equivalents at beginning of the year		1 051 575	1 023 101
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	B	799 454	1 051 575

**SAFE CITY PIETERMARITZBURG**  
**NOTES TO THE CASH FLOW STATEMENT**  
for the year ended 30 June 2009

	<u>2009</u> R	<u>2008</u> R
<b>A. RECONCILIATION OF OPERATING SURPLUS FOR THE YEAR TO CASH UTILISED IN OPERATIONS</b>		
Operating surplus for the year	12 239	54 795
Adjustment for:		
Interest received	(63 460)	(76 556)
Interest paid	199	485
Depreciation	25 967	21 915
	<hr/>	<hr/>
Working capital changes	(25 055)	639
(Increase)/decrease in accounts receivable	(22 581)	61 422
Decrease in accounts payable	(260 548)	(36 276)
	<hr/>	<hr/>
Cash (utilised in)/generated from operations	<u>(308 184)</u>	<u>25 785</u>

**B. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

Bank	<u>799 454</u>	<u>1 051 575</u>
------	----------------	------------------

**SAFE CITY PIETERMARITZBURG**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

**1. BASIS OF PREPARATION**

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (“GAAP”) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practice (“GRAP”) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

**Standard of GRAP**

**Replaced Statement of GAAP**

GRAP 1: Presentation of financial statements  
GRAP 2: Cash flow statements  
GRAP 3: Accounting policies, changes in accounting estimates and errors

AC I01: Presentation of financial statements  
AC118: Cash flow statements  
AC 103: Accounting policies, changes in accounting estimates and errors

The recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 & 3 has resulted in the following changes in the presentation of the financial statements:

A. Terminology differences:

**Standard of GRAP**

**Replaced Statement of GAAP**

Statement of financial performance  
Statement of financial position  
Statement of changes in net assets  
Net assets  
Surplus/deficit for the period  
Accumulated surplus/deficit  
Contributions from owners  
Distributions to owners  
Reporting date

Income statement  
Balance sheet  
Statement of changes in equity  
Equity  
Profit/loss for the period  
Retained earnings  
Share capital  
Dividends  
Balance sheet date

B. The cash flow statement can only be prepared in accordance with the direct method.

C. Specific information such as:

- (a) Receivables from non-exchange transactions, including taxes and transfers.
- (b) Taxes and transfers payable.
- (c) Trade and other payables from non-exchange transactions must be presented separately on the statement of financial position.

D. Amount and nature of any restrictions on cash balances is required to be disclosed.

**SAFE CITY PIETERMARITZBURG**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 30 June 2009

**2. Adoption of new and revised International Financial Reporting Standards (“IFRS”)**

In the current year, the directors have adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2008. The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the association’s accounting policies.

**The following interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period.**

<b><u>Number</u></b>	<b><u>Name</u></b>	<b><u>Effective for years commencing on or after</u></b>
IFRS 7	Financial Instruments: Disclosures	Effective for annual reporting periods beginning on or after 1 January 2008.
IFRIC 7	Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies	Effective for annual reporting periods beginning on or after 1 March 2006.
IFRIC 8	Scope of IFRS 2	Effective for annual reporting periods beginning on or after 1 May 2006.
IFRIC 9	Reassessment of Embedded Derivatives	Effective for annual reporting periods beginning on or after 1 June 2006.
IFRIC 10	Interim Financial Reporting and Impairment	Effective for annual reporting periods beginning on or after 1 November 2006.
IFRIC 11 IFRS 2	Group and Treasury Share Transactions	Effective for annual periods beginning on or after 1 March 2008.
IFRIC 12	Service Concession Arrangements	Effective for annual periods beginning on or after 1 January 2008.
IFRIC 13	Customer Loyalty Programmes	Effective for annual periods beginning on or after 1 July 2008.
IFRIC 14/IAS 19	The limit on Defined Benefit Assets Minimum Funding Requirements	Effective for annual periods beginning on or after 1 January 2008.

The adoption of these interpretations has not led to any changes in the association’s accounting policies.

**SAFE CITY PIETERMARITZBURG**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
for the year ended 30 June 2009

**2. Adoption of new and revised International Financial Reporting Standards (“IFRS”) (continued)**

**At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:**

<b><u>Number</u></b>	<b><u>Name</u></b>	<b><u>Effective for years commencing on or after</u></b>
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	Effective for annual accounting periods beginning on or after 1 October 2008.
IFRS 8	Operating Segments	Effective for annual periods beginning on or after 1 January 2009.
IAS 23	(Revised) Borrowing costs	Effective for annual periods beginning on or after 1 January 2009
IFRIC 15	Agreements for the construction of real estate	Effective for annual periods beginning on or after 1 January 2009.
IFRS 2	(Revised) Share-based payment	Effective for annual periods beginning on or after 1 January 2009
IFRS 3	(Revised) Business combinations	Effective for annual periods beginning on or after 1 July 2009
IAS 1	(Revised) Presentation of financial statements	Effective for annual periods beginning on or after 1 January 2009
IAS 27	(Revised) Consolidated and separate financial statements	Effective for annual periods beginning on or after 1 July 2009
IAS 28	(Revised) Investment in associate	Effective for annual periods beginning on or after 1 July 2009
IAS 31	(Revised) Interest in joint ventures	Effective for annual periods beginning on or after 1 July 2009
IAS 32	(Revised) Financial instruments	Effective for annual periods beginning on or after 1 January 2009

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the organisation.

**SAFE CITY PIETERMARITZBURG****NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

for the year ended 30 June 2009

**3. SIGNIFICANT ACCOUNTING POLICIES****3.1 Revenue**

Revenue comprises cash contributions from the Msunduzi Municipality and does not include contributions in specie.

**3.2 Interest**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

**3.3 Property, plant and equipment**

Property, plant and equipment are depreciated over their estimated useful life to an estimated residual value.

	<u>Years</u>
Furniture & fittings	5
Computer equipment	3
Other	5

**4. OPERATING SURPLUS FOR THE YEAR**

	<u>2009</u> R	<u>2008</u> R
Operating surplus for the year is stated after:		
Audit fees		
- current year	10 250	902
Depreciation	25 967	21 915
Administration salaries	2 222 795	2 152 294
Interest paid	199	485

**SAFE CITY PIETERMARITZBURG**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 30 June 2009

**5. NON-DISTRIBUTABLE RESERVE - GENERAL**

	<u>2009</u> R	<u>2008</u> R
<p>The Association is registered under Section 21 of the Companies Act, 1973, as an incorporated association not for gain and, as such, no part of its income and property shall be transferred to members, directly or indirectly. All reserves of the Association are therefore non-distributable and may only be utilised towards the cost of projects and initiatives and meeting any shortfall in expenditure.</p>		
Balance at beginning of the year	856 184	801 388
Operating surplus for the year	12 239	54 796
	<hr/>	<hr/>
Balance at end of the year	868 423	856 184
	<hr/> <hr/>	<hr/> <hr/>

**6. TAXATION**

No provision for taxation is necessary, as the income of the Association is exempt in terms of section 10(1)(cB) of the Income Tax Act, 1962, as amended.

**7. PROPERTY, PLANT AND EQUIPMENT**

Furniture and fittings	39 761	52 684
Computer equipment	10 412	14 858
Office equipment	1 148	2 548
	<hr/>	<hr/>
	51 321	70 090
	<hr/> <hr/>	<hr/> <hr/>

**SAFE CITY PIETERMARITZBURG**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 30 June 2009

**7. PROPERTY, PLANT AND EQUIPMENT (continued)**

Reconciliation of net book value at beginning of the year to net book value at end of the year.

	Net Book value at beginning of year R	Additions R	Disposals R	Depreciation R	Net Book value at end of year R
Furniture and fittings	52 684	-	-	(12 923)	39 761
Computer equipment	14 858	7 198	-	(11 644)	10 412
Office equipment	2 548	-	-	(1 400)	1 148
Total - 2009	70 090	7 198	-	(25 967)	51 321
Total – 2008	18 623	73 382	-	(21 915)	70 090

2009  
R

2008  
R

**8. CASH ON HAND AND BALANCES WITH BANKS**

Balance	799 454	1 051 575
---------	---------	-----------

It is the intention of the board that the surplus funds be utilised to improve operational efficiency in the foreseeable future.

**9. RELATED PARTY TRANSACTIONS**

Business Fighting Crime is a related party of Safe City and transactions conducted between these parties are at arms length.

**SAFE CITY PIETERMARITZBURG**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ended 30 June 2009

	<u>2009</u> R	<u>2008</u> R
REVENUE		
Interest received	63 460	76 556
TOTAL INCOME	63 460	76 556
Less: ADMINISTRATION EXPENDITURE	(2 693 803)	(2 653 340)
Accounting fees	16 989	10 683
Administration salaries	289 997	366 148
Advertising and promotions	6 166	6 004
Assets written off	2 671	6 185
Audit fees		
- current	10 250	902
- overprovision	-	-
Bank charges	4 984	3 413
Cleaning	7 215	8 055
Computer expenses	16 206	43 670
Contractor staff costs	1 932 799	1 786 146
Courier and postage	133	312
Depreciation	25 967	21 915
Electricity and water	16 191	13 422
Entertainment expenses	2 098	1 545
General expenses	3 670	2 105
Interest paid	199	485
Legal fees	3 614	-
Motor vehicle expenses	192	589
Printing and stationery	25 338	45 915
Repairs and maintenance	554 088	297 063
Staff welfare	906	1 800
Subscriptions	(3 017)	-
Telephone and fax	30 916	36 913
Travel and accommodation	-	70
Write-back of VAT provision	(253 769)	-
OPERATING DEFICIT after administration expenditure	(2 630 343)	(2 576 783)
CONTRIBUTIONS received	2 642 582	2 631 579
OPERATING SURPLUS FOR THE YEAR	12 239	54 796
<u>Administration expenditure</u>	%	%
Personnel costs	83	81
Repairs and maintenance	21	11
Other	(4)	8
	100	100

**SAFE CITY PIETERMARITZBURG**  
**LIST OF CONTRIBUTORS**  
for the year ended 30 June 2009

	<u>2009</u> R	<u>2008</u> R
Msunduzi Municipality (inclusive of VAT)	3 000 000	3 000 000

Contributions by business are referred to in the Chairman's report.

## **REPORT SUBMITTED BY CEO**

### **CONTROL CENTRE KEY PERFORMANCE INDICATORS (KPI)**

The success of the Safe City Project is dependant on many factors but the performance of the Control Centre on a 24hours / 7days surveillance operation is a vital component. The operation, which is ISO 9001:2008 certified and SABS approved comprises the following features:

The crime statistics for Pietermaritzburg are submitted to the control room every morning by the SAPS which are then compared with our statistics and thereafter plotted on street maps. The purpose of plotting crime is to enable operators to be more crime prevention orientated. Every suspicious incident noted on camera is regarded as an "Incident detected". The police officer (present in the control room 24/7) will determine whether a SAPS vehicle needs to be despatched to the scene of the incident. The yearly target for SAPS dispatches is **90%** of Incidents Detected. A record is maintained of vehicle despatches as compared with Incidents detected. An arrest is made when the suspect is apprehended. Frequently the progress of a crime is fully observed and followed via the camera network. We have a recording capacity of 21 days after which footage is automatically re written.

**Table 1** shows the annual statistics of the Control Centre from July 2008 to June 2009. In the summary below we have highlighted the relevant Key Performance Indicators. Every year annual targets is set for the control centre using the achievements of the previous reporting periods per camera as a baseline and then adding a certain percentage for the new year. Individual targets are thereafter set for operators on which they are appraised on quarterly basis. The summary of annual performance against KPI is as follows:

### **SUMMARY OF KEY PERFORMANCE INDICATORS**

**See attached graphs: (A, B)**

DESCRIPTION	TOTAL FOR YR	TARGET FOR YR	DIFFERENC E
1) No of "Incidents Detected" (A)	2969	2370	599 (+25%)
2) SAPS dispatch required	1588	2015	-427 (-21%)
3) Response by SAPS Unit	1515	2015	-500 (-25%)
4) Arrests Effected (B)	188	324	-154 (-45%)
5) SAPS Response Time	5.3	3.25	-3.8 (-38%)
6) Camera down time in %	2.3	1	-1.3 (-130%)

Of the incidents detected (1), we have found that we have exceeded our target by 599 incidents. This is due to the vigilance of our operators in the detection of suspicious behaviour. Accordingly SAPS dispatches (2) and (3) have also increased. The control room also has direct communication with traffic, ambulance as well as the electricity and water departments so incidents of traffic violation, accidents or damage to Municipal property can be reported as well.

Arrests Effected (4) have declined by 154 mostly due to the fact that complainants are not interested in opening cases once their property has been recovered or in the instances where crimes has occurred in the vicinity of a tavern complainants are in most cases under the influence of liquor and therefore not compos mentis to proceed with a criminal proceedings. In table 1 we also highlight 413 incidents where criminal cases could have been opened, but because of the factors mentioned the SAPS had to release the suspect/s. If we add these cases we have exceeded our target for arrests by 259. This is again attributed to the vigilance of the operators.

Although our response time target (5) is 3.25 minutes, we only averaged 5.3 minutes. The average achieved however is across all crime categories A – C where A is serious crimes in progress with a required response time of 5 min, B crimes is serious crimes not in progress, with a response time of 15 min and C crimes is less serious crimes with a required response time of 25 minutes. The latter may not warrant a priority response by SAPS as compared with categories A and B.

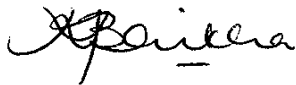
The camera downtime (6) is slightly over target largely due to delays in sourcing spares. During this financial year we received no capital budget, hence we could not refurbish Phase 1 (15 cameras) that have now been operating for 6 years 24/7. This will be addressed in the new financial year as a capital budget has now been granted.

#### **STATISTICS SHOWING DECREASE IN CRIME IN CBD**

The following statistics reflect the percentage decrease in crime from 2002 (when Safe City commenced operations) to 2008. In view of the fact that crime was increasing by at least 10% year on year prior to 2002, these are a reflection of the success of the camera network.

#### **Calendar Year: % DECREASE (-)**

<b>Type of Crime</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Assault Common	-3.9	-25.5	-27.4	-11.7	-29.4	-49
Indecent Assault	-0.1	-10.6	-25.4	-30.1	-60.6	-60.4
Attempted Murder	-29.3	-27.6	-32.7	-18.9	-18.9	-31
House Robberies	-9.6	-35.8	-36.3	-22.7	-33.5	-39.2
Robbery In Transit	-35.7	-34	-43	-13.4	-48	-36.8
Robbery Common	-33.3	3.7	-22.2	-29.6	-55.5	-55.5
Total Contact Crimes	-3.7	-17.1	-23.3	27.3	-37.3	-39.2
Total Property Crimes	-20.8	-34.8	-41.8	-34.6	-46.1	-50.5



**CEO: SAFE CITY (PMB)**  
**Ms Nutan Bhikha**



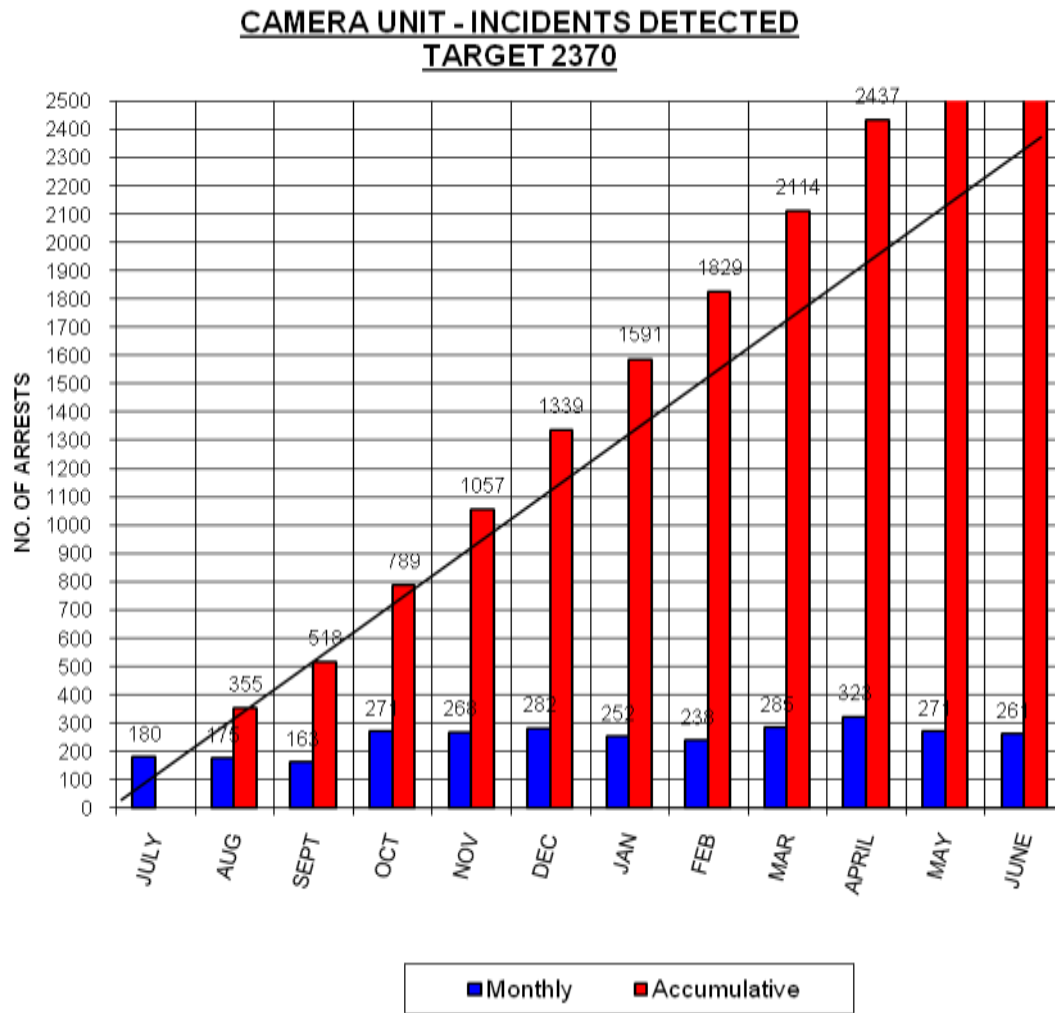
TABLE 1

KEY PERFORMANCE INDICATORS

JULY 2008 TO JUNE 2009

DESCRIPTION	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total	YEAR TARGET
Incidents Detected	180	175	163	271	268	282	252	238	285	323	271	261	2969	2370
Dispatch Required	118	137	106	178	151	137	126	108	113	137	142	133	1588	2015
Response by SAPS units	114	124	96	161	147	135	123	107	105	134	139	130	1515	2115
Arrests Effected	12	16	19	26	19	14	27	5	12	10	17	11	188	324
Saps Response Time in Mins	3.87	5	5.5	6.3	5.9	5.7	6.6	5.4	5.6	3.9	4.5	5.5	5.3	3.25
Camera down time - %	1.04	0.93	0.81	0.97	0.91	0.9	1.2	3.3	2.5	3.6	6	5.5	2.3	1
Possible Arrests: No cases opened	33	27	26	43	37	28	23	32	34	32	42	56	413	

**GRAPH A:**



**GRAPH B:**

